


# Crystal Clear WSC Water Availability Report 2013 Comal County, Texas

**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 Water Supply Corporation (the Utility) hereby submits this 2013 Water Availability Report for its public water system (PWS) to the Comal County Commissioners for review and approval.

Prepared by:



*LaCosta*  
ENVIRONMENTAL LLC

Crystal Clear WSC

CCN 10297

PWS 0940015

2370 FM 1979

San Marcos, TX

78666

(830) 371-1031

[crystalclearsud.org](http://crystalclearsud.org)

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

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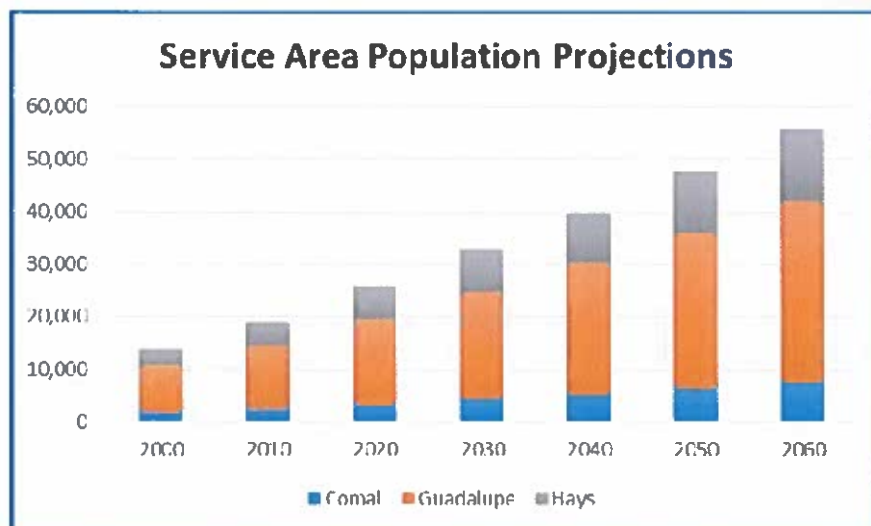
# 1. Introduction


Crystal Clear Water Supply Corporation (CCWSC or the Utility) is a Public Water System (PWS) in South Central Texas that provides water service to approximately 15,000 residents and 4,500 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 Utility 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 L South Central Texas Regional Water Planning Group (SCTRWPG), which is administered by the Texas Water Development Board (TWDB).

The SCTRWP 2011 Regional Water Plan projects the population of the Utility's service area to increase from approximately 15,000 to 32,804 by 2030 and to 55,673 by the year 2060 with corresponding projected total water demands of 3,344 and 5,551 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 Utility's service area.

**Figure 1: 2011 TWDB Population Projections**





The Utility can utilize 5,068 AF/yr of water supply from wells in the Edwards, Edwards/Uvalde and Carrizo aquifer permits, Guadalupe County Groundwater Conservation District permits, and water supply contracts with the Guadalupe-Blanco River Authority (GBRA) and the Canyon Regional Water Authority (CRWA). Twenty year pro forma water supply strategies include the development of groundwater in the Trinity and Wilcox aquifers.

The Utility is already planning beyond the 20-year horizon required by Comal County. The Utility 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. Phase 1 of the project has already received permits from the Gonzales Underground Water Conservation District to withdraw 10,300 acre feet per year from the Carrizo Aquifer. 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 approved 2011 Water Plan.

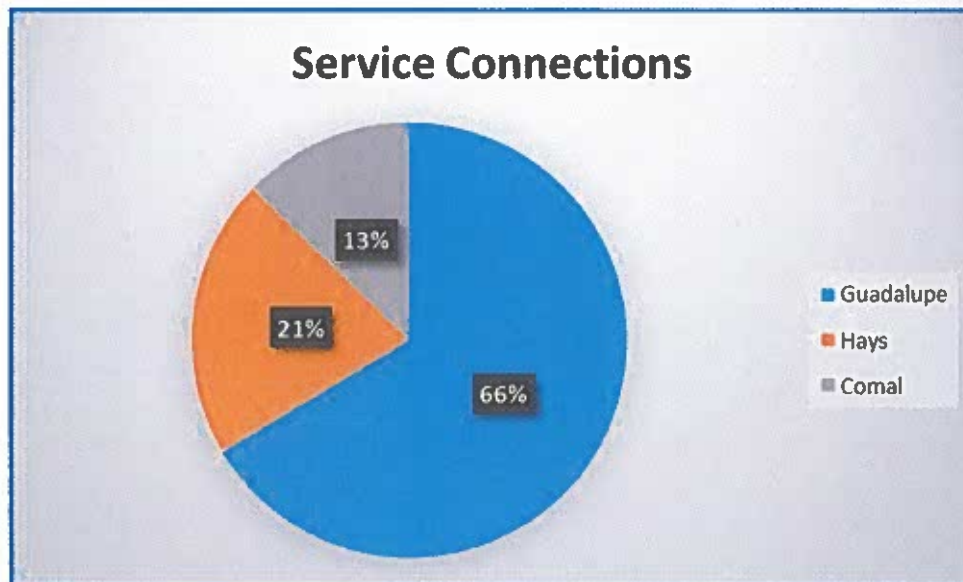


## 2. Population and Land Use Analysis

The Utility 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.

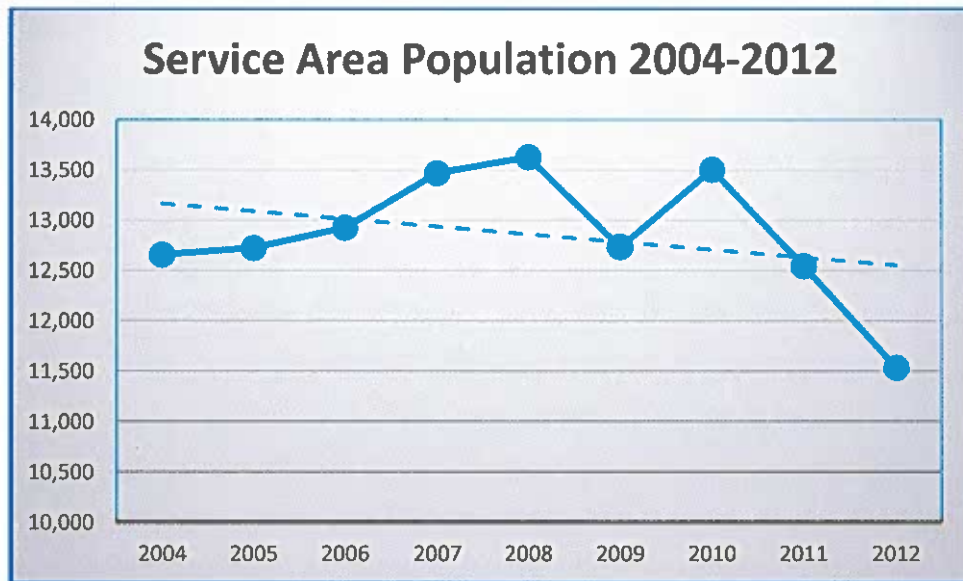
Based upon the TWDB 2012 Water Use Survey, the Utility has 4,617 retail service connections. The majority (2/3) of the connections (3,067) are in Guadalupe County. There are 960 connections in Hays County and 590 in Comal County. Figure 2 shows the distribution of service connections by county.

Figure 2: Service Connections by County

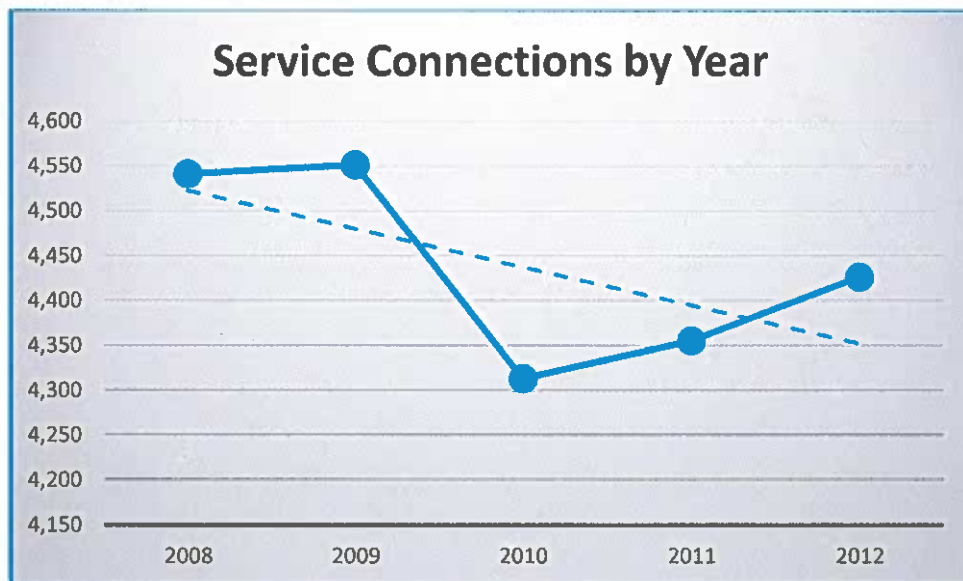


Due to the nature of the service area, identification of the actual population served is challenging. With a service area located in portions of three counties, additional efforts are required to interpret United States Census data and county appraisal records. An independent population study was performed by the Utility in 2011 and concluded that the population for the entire service area was 14,932 at the time. Population service connection data from TWDB Water Use Surveys is shown in Figures 3 and 4.

**Figure 3: Service Area Population from 2004 to 2012**



**Figure 4: Service Area Connections from 2008-2012**



Despite lower population growth in recent years, as shown above in Figures 3 and 4, the TWDB projects the combined population for the three counties to more than double between 2010 and the regional water planning horizon of 2060. The 2011 TWDB population projections for the Utility's service area are listed in Table 1.

**Table 1: 2011 TWDB Population Projections for Crystal Clear WSC**

County	2000	2010	2020	2030	2040	2050	2060
Comal	1,557	2,258	3,155	4,177	5,177	6,214	7,329
Guadalupe	9,083	12,367	16,380	20,718	25,052	29,860	35,038
Hays	3,114	4,554	6,202	7,909	9,624	11,685	13,306
<b>Total</b>	<b>13,754</b>	<b>19,179</b>	<b>25,737</b>	<b>32,804</b>	<b>39,853</b>	<b>47,759</b>	<b>55,673</b>

The relationship between water use, population, and gallons per customer per day (gpcd) for the Utility from 2008 to 2012 is shown in Table 2. Total water use has fluctuated between 542 and 653 million gallons per year while residential use has fluctuated between 409 and 512 million gallons. Total gpcd includes commercial and industrial uses that are not population dependent.

**Table 2: Utility Water Use, Population, and Per Capita Usage 2008-2012**

Year	Total AF	Total Gallons	Residential Gallons	Population	Days	Total GPCD	Residential GPCD
2008	1,778	579,385,600	409,677,000	13,630	366	116	82
2009	1,737	566,014,300	476,275,760	12,740	365	122	102
2010	1,665	542,643,800	512,648,600	13,506	365	110	104
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

The TWDB population and water use projections and the corresponding total gpcd are shown in Table 3. While the TWDB water use and population estimates for 2010 were overestimated, the per capita usage estimates appear to underestimate total gpcd, which includes both commercial and industrial usage.

**Table 3: Total GPCD for TWDB Water Use and Population Projections**

Year	Water Use (AF/yr)	Water Use (Gallons)	Population	Total GPCD
2010	2,041	665,061,891	19,179	95
2020	2,652	864,156,852	25,737	92
2030	3,344	1,089,645,744	32,804	91
<b>2033*</b>	<b>3,533**</b>	<b>1,151,133,828</b>	<b>34,919**</b>	<b>90</b>

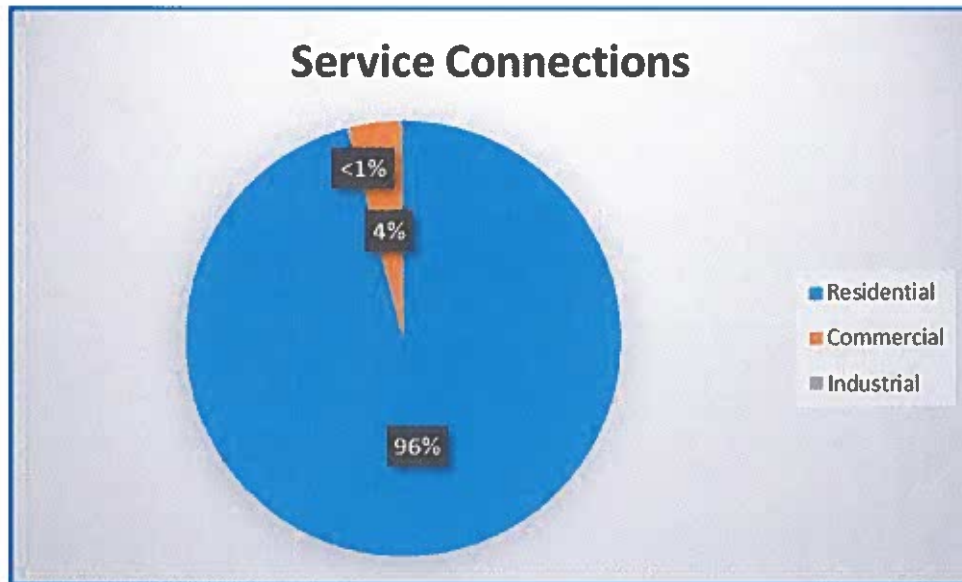
2040	3,973	1,294,606,023	39,853	89
2050	4,761	1,551,376,611	47,759	89
2060	5,551	1,808,798,901	55,673	89

\* 20-Year Planning Horizon

\*\* 2033 Extrapolation between 2030 and 2040 SCTRWPG Data

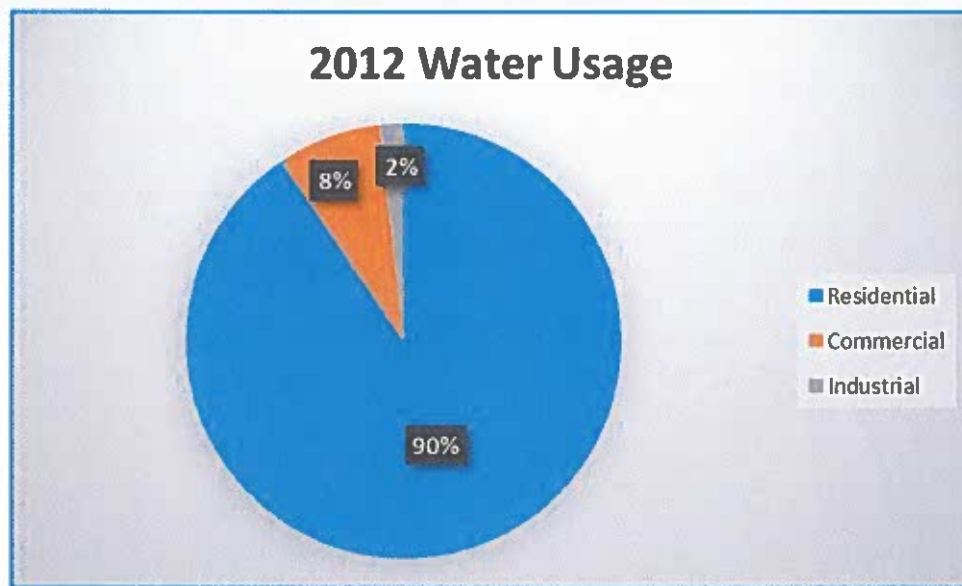
Figures 5 and 6 show that the largest customer sector is residential and that most of the water is used by residential customers. Service is also provided to commercial and industrial users. Figure 5 shows the distribution of water-use sectors within the Utility's service area and Figure 6 shows the 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 5: Distribution of Service Connections by Water-Use Sector**



**Figure 6: Distribution of Water Usage by Water-Use Sector**





### 3. Description of Facilities and Capacity Analysis

#### Description of Facilities

According to TCEQ records, the Utility is a community public water system serving 4,520 connections with a population of 13,560. 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 dated December 30, 2010, which is included in Appendix A. A service area map illustrating the location of these facilities is included in Appendix B. The Utility 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.

Willow Creek Plant – One well (Willow Creek) with a submersible pump discharges to one ground storage tank. Three service pumps take suction from the ground storage tank and discharge to distribution through one 2,500 gallon pressure tank. LAS and chlorine are added prior to the ground storage tank.

### **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.

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(15) at three times the number of metered connections.

**Table 4: System Production Capacity**

Source	AF/Yr	MGD	GPM	Potential Connections Served	Potential Population Served
<b>Purchased SW</b>					
CRWA Hays Caldwell WTP (TX0280024)	500	0.45	310	517	1,550
CRWA Lake Dunlap WTP (TX0940091)	800	0.71	496	827	2,480
<b>Total</b>	<b>1,300</b>	<b>1.16</b>	<b>806</b>	<b>1,343</b>	<b>4,030</b>
<b>Purchased GW</b>					
CRWA Wells Ranch (TX0940096)	300	0.27	186	310	930
<b>Total</b>	<b>300</b>	<b>0.27</b>	<b>186</b>	<b>310</b>	<b>930</b>
<b>Wells</b>					
McCarty Ln 1	661	0.59	410	683	2,050
McCarty Ln 2	807	0.72	500	833	2,500
Hunter	613	0.55	380	633	1,900
Nelson	726	0.65	450	750	2,250
Willow Creek	726	0.65	450	750	2,250
Longcope	790	0.71	490	817	2,450
<b>Total</b>	<b>4,323</b>	<b>3.86</b>	<b>2,680</b>	<b>4,467</b>	<b>13,400</b>
<b>Grand Total</b>	<b>5,923</b>	<b>5.29</b>	<b>3,672</b>	<b>6,120</b>	<b>18,360</b>

Table 4 shows that the Utility can provide 5.29 MGD (or 3,672 GPM) of water to 6,120 meters or 18,360 people. As the CCI (Appendix A) indicates, the Utility is in compliance with TCEQ capacity requirements.

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

## 4. Adequacy of Water Supply

### Adequacy of Water Sources

Historically, the Utility has relied primarily on Edwards Aquifer groundwater to supply its customers with water service. Since 1990, the Utility has developed alternative sources to decrease its dependence on the Edwards Aquifer and diversify its water system sources. Today the Utility 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(15) at three people per meter.

The Utility 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 875 and 865 acre-feet of water are included in Appendices C and D, and a copy of the Canyon Regional Wells Ranch Project 2007 contract for 300 acre-feet of water is included in Appendix E. A copy of the Trinity Well Field Project for 600 acre-feet of water is included in Appendix H. The Wilcox Well Field Project is permitted for 741 acre-feet of water from the three wells (Appendix I). In addition, the hydraulically separate portion of the Utility's CCN service area, the Staples public water system (TX0940017) owned by the Utility, will be interconnected with the Utility's public water system. A copy of the Staples Comprehensive Compliance Investigation (CCI) and the deed for ownership of this source by Crystal Clear is included in Appendix J. A copy of the CRWA Regional Water Supply Contract for the Wells Ranch Treatment Plant is located in Appendix K. A summary of groundwater rights is shown in Table 5 below.



**Table 5: Groundwater Sources**

Source	AF/Yr	MGD	GPM	Potential Meters Served	Potential Population Served
Original Edwards Aquifer	875	0.78	543	2,893	8,680
Edwards/Uvalde Water (Cibolo Crossing)	865	0.77	536	2,859	8,576
CRWA Wells Ranch Phase 1	300	0.27	186	992	2,976
Staples Interconnection	387	0.35	240	1,280	3,840
Trinity Well (Kutscher)	600	0.54	372	1,984	5,952
Wilcox Well Field Project	741	0.66	459	2,450	7,350
<b>Total</b>	<b>3,768</b>	<b>3.37</b>	<b>2,336</b>	<b>12,458</b>	<b>37,374</b>

Table 5 shows that 3,768 acre-feet of groundwater is available to be utilized by the Utility. The Utility has 3.37 MGD (2,336 GPM) of water available from groundwater sources to provide service to a population of 37,374 people based on the TWDB projected per capita use of 90 gpcd.

### Surface Water Sources

The Utility 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(15) at three people per meter.

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

**Table 6: Surface Water Sources**

Source	AF/Yr	MGD	GPM	Potential Meters Served	Potential Population Served
CRWA Lake Dunlap TP	800	0.71	496	2,645	7,935
CRWA Water Hays Caldwell TP	500	0.45	310	1,653	4,960
<b>Total</b>	<b>1,300</b>	<b>1.16</b>	<b>806</b>	<b>4,298</b>	<b>12,895</b>

Table 6 shows that 1,300 acre-feet of surface water is available to be utilized by the Utility. The Utility has 1.16 MGD (806 GPM) of water available from surface water sources to provide



service to a population of 12,895 people based on the TWDB projected per capita use of 90 gpcd.

### Summary of Water Sources

The Utility 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(15) 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 Utility 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 Utility 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 the Gonzalez County Underground Water Conservation District (UWCD) boundaries and is specifically recommended for the District by the SCTRWPG approved 2011 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	543	2,893	8,680
Edwards/Uvalde Water (Cibolo Crossing)	865	0.77	536	2,859	8,576
CRWA Wells Ranch Phase 1	300	0.27	186	992	2,976
CRWA Lake Dunlap TP	800	0.71	496	2,645	7,935
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Staples Interconnection	387	0.35	240	1,280	3,840
Trinity Well (Kutscher)	600	0.54	372	1,984	5,952
Wilcox Well Field Project	741	0.66	459	2,450	7,350
<b>Total</b>	<b>5,068</b>	<b>4.52</b>	<b>3,142</b>	<b>16,756</b>	<b>50,269</b>

**Figure 7: Water Supply**

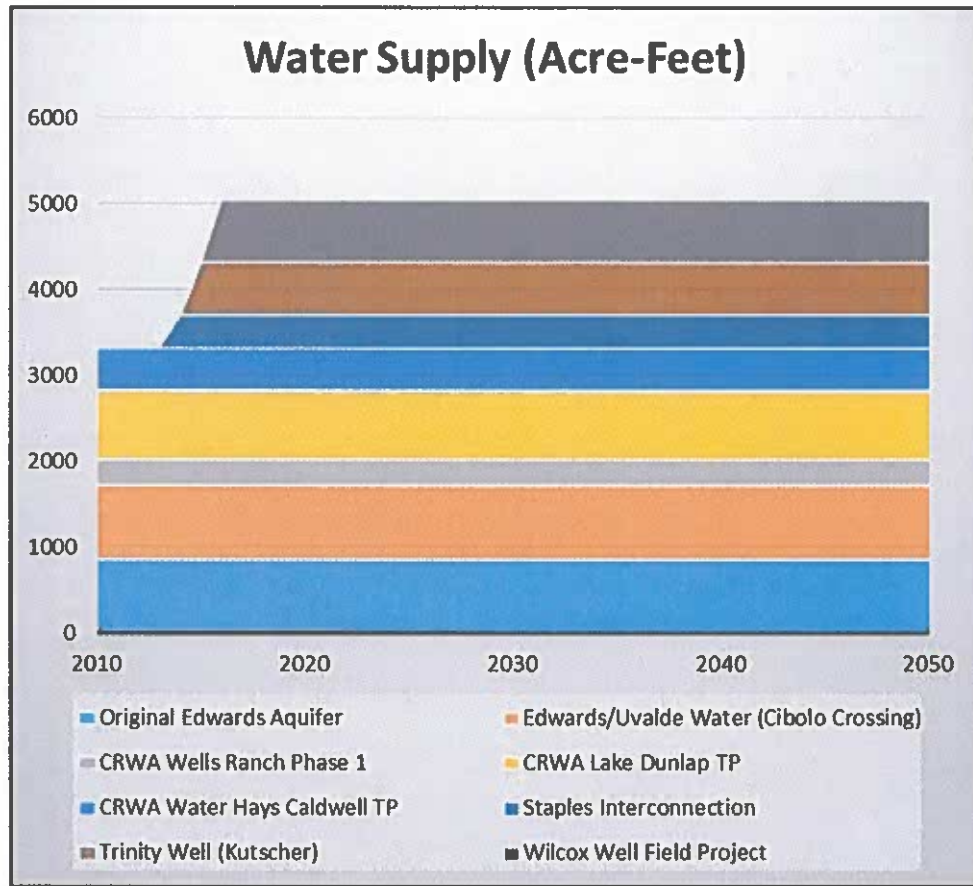


Table 7 and Figure 7 show that a total of 5,068 acre-feet of water is committed to the Utility. The Utility has 4.52 MGD (3,142 GPM) of water sources to provide service to a population of 50,269 people based on the TWDB projected per capita use of 90 GPCD.

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

## 5. Conclusion

The TWDB projects system specific per capita water use using 90 gpcd for the Utility. Table 8 shows that in 2033, the Utility is projected by the TWDB to be required to supply 3,533 AF/yr to 34,709 customers.

**Table 8: Projected Water Demand and Population Served**

Year	Projected Demand AF/Yr	MGD	GPM	Projected Meters	Projected Population
2010	2,041	1.82	1,265	6,393	19,179
2020	2,652	2.37	1,644	8,579	25,737
2030	3,344	2.99	2,073	10,935	32,804
<b>2033</b>	<b>3,533</b>	<b>3.15</b>	<b>2,190</b>	<b>11,570</b>	<b>34,709</b>

Without taking into account 441 acre-feet from CRWA Wells Ranch and over 3,000 acre-feet from the HCPUA Phase 1 and 2 projects, the Utility still exceeds TWDB projected 2033 annual water demands by 1,535 acre-feet.

**Crystal Clear WSC has more than sufficient documented water sources of 5,068 acre-feet (Table 7 and Figure 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 2013 Water Availability Report for its public water system to the Comal County Commissioners for review and approval.

## Appendix A – TCEQ Comprehensive Compliance Investigation

**Texas Commission on Environmental Quality  
Investigation Report  
Crystal Clear Water Supply Corporation  
CN600642268**

**CRYSTAL CLEAR WSC**

RN101437994

Investigation # 924451  
Investigator: STACY TANNER

Incident #  
Site Classification  
GROUNDWATER  
GW >1K-10K CONNECTION

Conducted: 04/26/2011 -- 04/26/2011

NAIC Code: 221310  
SIC Code: 4941

Program(s): PUBLIC WATER  
SYSTEM/SUPPLY

Investigation Type : Compliance Investigation  
Additional ID(s) : 0940015

Location : FM 1979 S OF SAN MARCOS

Address: ; ,

Activity Type : REGION 13 - SAN ANTONIO  
PWSCCIGWCM - PWSCCOGWCM PWS CCI  
Discretionary Groundwater, Purchase, Community

**Principal(s) :**

Role	Name
RESPONDENT	CRYSTAL CLEAR WSC

**Contact(s) :**

Role	Title	Name	Phone
Notified		MR ROBERT WWYLY	Cell (830) 743-6221 Fax (830) 372-0067 Work (830) 372-1031 x. 204
Participated in Investigation		MR ROBERT WWYLY	
Regulated Entity Contact	GENERAL MANAGER	MR MARK L SPEED	(830) 372-0067 Work (830) 372-1031 x. 203
Regulated Entity Mail Contact	GENERAL MANAGER	MR MARK L SPEED	

**Other Staff Member(s) :**

Role	Name
Supervisor	JOY THURSTON-COOK
QA Reviewer	JAY JOBSON

**COPY**

**Associated Check List**

<u>Checklist Name</u>	<u>Unit Name</u>
PWS INVESTIGATION - EQUIPMENT MONITORING AND SAMPLING	EQUIPMENT MONITORING
PWS EMERGENCY POWER INITIATIVE	EMERGENCY POWER
PWS STANDARD FIELD	STANDARD FIELD

**Investigation Comments :**



**INTRODUCTION**

04/04/11 - Scheduled an inspection for the Crystal Clear WSC with Mr. Robert Wyly, system operator, on 04/26/2011 at 10:00 am at his office.

04/26/2011 - Conducted the investigation with Mr. Wyly at the system's main office. The investigation consisted of a review of all applicable records, system facilities, a total chlorine residual and pressure test followed by an exit interview. One violation was cited.

**GENERAL FACILITY AND PROCESS INFORMATION**

This is a community groundwater system which consists of 4,520 connections and population of approximately 13,560 people.

**McCARTY LANE PLANT (EP#002):** Two wells (McCarty-1 & McCarty-2), vertical turbine pumps, discharge to one elevated tank. The Longcope Well (located on McCarty Lane), submersible pump, also discharges to this elevated storage tank. LAS (liquid ammonium sulfate) and gas chlorination at each well discharge.

**HUNTER PLANT (EP#004):** One well (Hunter), submersible pump, discharges to one ground storage tank. One service pump takes suction from the ground storage tank and discharges to distribution. LAS and gas chlorination prior to the ground storage tank.

**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. LAS and gas chlorination 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 prior to the ground storage tank.

**REDWOOD PLANT:** Two ground storage tanks are filled from distribution. Two service pumps 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.

**MILL CREEK 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. This plant is currently off-line.

**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 serving the Kingsbury area. Gravity flow to the remainder of the system.

**TRUCK STOP (EP#007):** Located at IH-35 / Conrad Road. This is a point at which surface water purchased from New Braunfels Utilities (NBU) enters the Crystal Clear WSC distribution system.

**KOLLENBERG (EP#009):** Located at IH-35 / FM 1101. This is a point which surface water purchased from NBU enters the Crystal Clear WSC distribution system.



**Recommended Corrective Action:** The Laurel Estates Well must be either plugged according to 16 TAC Chapter 76 or refurbished and returned to service. The system may also elect to convert the well to a monitoring well to be used for gauging the aquifer level.

**Resolution:** At the time of investigation Edwards Aquifer Authority is using the well as a monitor well.

**Additional Issues**

**Description** DRINKING WATER STANDARDS GOVERNING WATER QUALITY AND REPORTING REQUIREMENTS FOR PWS: (SUBCHAPTER F) Meets applicable 290.101 through 290.122 standards?

**Additional Comments**

30 TEX. ADMIN. CODE, '290.109(c)(2)(A) Due to the increase size of your public water system, the number of required bacteriological samples to be collected from different locations in the distribution system must be increase to 15 per month.

Signed  Environmental Investigator

Date 6.8.11

Signed  Supervisor

Date 6.14.2011

**Attachments: (in order of final report submittal)**

- Enforcement Action Request (EAR)
- Letter to Facility (specify type): LDU
- Investigation Report
- Sample Analysis Results
- Manifests
- NOR

- Maps, Plans, Sketches
- Photographs
- Correspondence from the facility
- Other (specify): iwrd, TR&F

WATER SYSTEM FLOW DIAGRAM

Name of System:

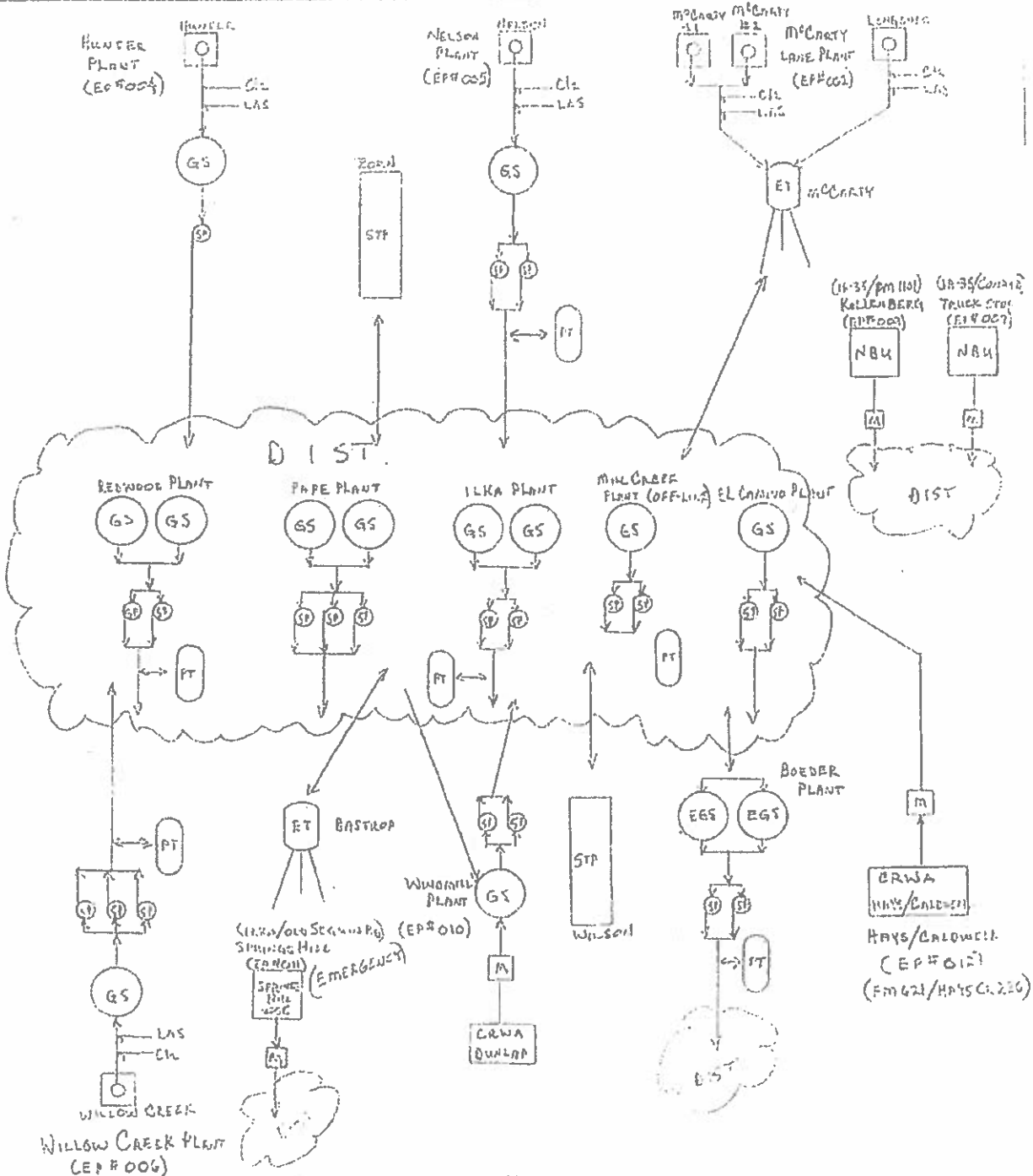
Crystal Clear WS

ID#

0940015

Survey Date: April 26, 2011

Surveyed By: Stacy Tanner



**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: CRWA, NBU, Springs H  
 Type I/C: metered/purchase

Retail Service Connections: 4520 Retail Meters: 4520  
 Retail Population: 13560

Wholesale Master Meters: Wholesale Service Connections:  
 Wholesale Population:

Total Well Capacity: 2680 GPM 3.859 MGD  
 Raw Capacity: GPM MGD

Total Elevated Storage: 1.892 MG Total Storage Capacity: 5.417 MG  
 Pressure Tank Capacity: 0.03950

Maximum Daily Usage: 1.676 MGD Date: 05/24/2010  
 Average Daily Usage: 0.768 MGD Time Period: 03/01/2010 to 03/31/2011

Wholesale Contract: Yes Maximum Purchase Rate : 0.714 MGD  
 No. of Samples Required: 15 No. of Samples Submitted: 12  
 No. of Raw Samples Required: No. of Raw Samples Submitted:  
 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
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	Mill Creek Plant (off-line)
GR	0.045 MG	ST	Mill Creek Plant (off-line)



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

#### WATER SOURCES

EP No.	Source Code	Owner's Des	Location	Status	Pump Type	Tst. GPM	Est. GPM	Ts/Est. Date
2	G0940015B	McCarty-1	McCarty Lane	O	v.t.	410		04/26/2011
2	G0940015C	McCarty-2	McCarty Lane	O	v.t.	500		04/26/2011
2	G0940015H	Longcope	McCarty Lane	O	submersible	490		04/26/2011
4	G0940015D	Hunter	FM 1102	E	submersible	380		04/26/2011
5	G0940015E	Nelson	FM 1102	O	submersible	450		04/26/2011
6	G0940015F	Willow Creek	Willow Creek	O	submersible	450		04/26/2011
7	P0940015E	Truck Stop	IH-35/Conrad Rd.	O				04/26/2011
9	P0940015A	Kollenberg	IH-35/FM1101	O				04/26/2011
10	P0940015B	Windmill	Hwy 123	O				04/26/2011
11	P0940015D	Springs Hill	Ilka/Old Seguin Rd.	E				04/26/2011
12	P0940015C	Hays-Caldwell	FM 621/CR 268	O				04/26/2011

#### SERVICE PUMPS

Pump Number	Output	Location
-------------	--------	----------

1	350 GPM	El Camino Plant
1	500 GPM	Boeder Plant
1	330 GPM	Willow Creek Plant
1	500 GPM	Windmill Plant
1	250 GPM	Nelson Plant
1	400 GPM	Hunter Plant
1	690 GPM	Ilka Plant
1	500 GPM	Redwood Plant
1	200 GPM	Pape Plant
2	500 GPM	Windmill Plant
2	400 GPM	Pape Plant
2	500 GPM	Boeder Plant
2	690 GPM	Ilka Plant
2	250 GPM	Nelson Plant
2	330 GPM	Willow Creek Plant
2	500 GPM	Redwood Plant
2	350 GPM	El Camino Plant
3	200 GPM	Pape Plant
3	450 GPM	Willow Creek Plant

**SYSTEM CAPACITIES**

Pressure Plane Number: 1 Name: Elevated

System Capacities		Required	Provided
Well Production	0.6 GPM Conn X 4520	Conn = 2712	GPM 3680
Elevated Pressure Storage	200 Gal/Conn X 3169	Conn = 0.633	MG 1.892
Ground/Total Storage	200 Gal/Conn X 4520	Conn = 0.904	MG 5.417
Service Pump Capacity	0.6 GPM/Conn X 4520	Conn = 2712	GPM 8190
Service Pump Peaking Factor	MDD/1440 X	**	GPM
Tested PSI: 68 Tested CL2: 2.11 Total Location: 14780 FM 3353 Kingsburg			

Pressure Plane Number: 2 Name: Pressure tank

System Capacities		Required	Provided
Well Production	GPM Conn X	Conn =	GPM
Elevated Pressure Storage	20 Gal/Conn X 1351	Conn = 0.027	MG 0.03950

Ground/Total Storage Gal/Conn X  
Service Pump Capacity GPM/Conn X  
Service Pump Peaking MDD/1440 X  
Factor  
Tested PSI: Tested CL2: Total Location:

Conn = MG  
Conn = GPM  
\*\* GPM

06/08/2011  
1:25:19PM

**Texas Commission on Environmental Quality**  
Water System Data Sheet

WSDSR

PWS ID	PWS Name	Central Registry RN
0940015	CRYSTAL CLEAR WSC	RN101437994

Organization/Customer *	Central Registry CN
CRYSTAL CLEAR WSC	CN600642268

\* Regulatory mail will be addressed to this organization / person

Responsible Official **		Title	
MARK SPEED		GENERAL MANAGER	
License Type		License Number	
Mailing Address:			
Street Address		C/O or Address Line 2	
2370 FM 1979			
City		State	Zip
SAN MARCOS		TX	78666 - 2100
Business Phone	Other Phone	Other Phone Type	Email
(830) 372-1031	(830) 379-1101	BUSPHONE	

\*\* Regulatory mail will be addressed to this person

No PWS Primary Contact assigned to this PWS

No Emergency Contact assigned to this PWS

Owner Type	Owner Type Options: AFFECTED COUNTIES, COUNTY, DISTRICT/AUTHORITY, EXEMPT, FEDERAL GOVERNMENT, INVESTOR, MUNICIPALITY, NATIVE AMERICAN, PRIVATE, SUBMETER \ ALLOCATION, STATE GOVERNMENT, NOT RETAIL PUBLIC UTILITIES, WATER SUPPLY CORPORATION, MISC/UNKNOWN
WATER SUPPLY CORPORATION	

System Type	System Type Options: SB 361, COMMUNITY, COMMUNITY (NON-GOVERNMENT OWNED), TRANSIENT/NON-COMMUNITY, NON-PUBLIC, NON-TRANSIENT/NON-COMMUNITY
COMMUNITY	

Customer Class	Customer Category	Population Served	# of Connect	# of Meters	# UC w/other PWS
RESIDENTIAL	RESIDENTIAL AREA	12,669	4,223	4,354	5

Total Product (MGD)	Average Daily Consump.	Total Storage (MG)	Elev. Storage (MG)	Booster Pump Cap. (MGD)	Aux. Prod. Cap. Max. Pur. Cap. (MGD)	Pressure Tank Cap. (MG)
3.086	1.375	5.417	1.892	11.794	0.714	0.03950

Activity Status	Deactivation Date	Reason
ACTIVE		

Operator Grade	Number
WATER GRADE C GROUND	3

Last Survey Date	Surveyor	Survey Type	Code	Region	County	Def. Score
07/06/2006	JAY DON JOBSON	SURVEY		13	GUADALUPE	7
11/06/2002	JAY DON JOBSON	SURVEY		13	GUADALUPE	2
02/09/2000	JAY DON JOBSON	SURVEY	107	13	GUADALUPE	4

4/26/11

Study Results

2



(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
001	EP 000000000000001(I)	CHLORINATOR(I)	15834		No		No

Train: (Unnamed)

(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
	1	D	423	HYPOCHLORINATION(PRE)

(Active Sources)  
 (No active Sources associated with this EP/Plant)

(Inactive/Offline Sources)			
SourceNumber	Name	Status	Depth
G0940015A	LAUREL ESTATES	Am	229

(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
002	ET / EDWARDS(A)	LONGCOPE()	20873		No		No

Train: (Unnamed)
------------------

(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
	1	D	403	GASEOUS CHLORINATION(PRE)
	2	B	890	CHLORAMINES (PRE)

(Active Sources)						
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM
G0940015H	LONGCOPE(A)	O	G	250	380	400
Drill Date		Well Data				
0/0/0						
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.	Seller	
29.85136	97.98473	0	09/16/56658		Not a Purchased Source	

(Inactive/Offline Sources)
(No inactive Sources associated with this EP/Plant)

(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
002	ET / EDWARDS(A)	MCCARTY LANE()	4885		No		No

Train: (Unnamed)
------------------

(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
	1	D	401	GASEOUS CHLORINATION(POST)
	2	D	890	CHLORAMINES (PRE)

(Active Sources)							
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM	
G0940015B	MCCARTY LANE 1(A)	O	G	325	400	450	
Drill Date		Well Data					
0/0/1978		EDWARDS AND ASSOCIAT					
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.	Seller		
29.85287	97.986312	0		97101005	Not a Purchased Source		
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM	
G0940015C	MCCARTY LANE 2(A)	O	G	321	450	450	
Drill Date		Well Data					
0/0/1973		EDWARDS AND ASSOCIAT					
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.	Seller		
29.85242	97.98603	0		97101005	Not a Purchased Source		

(Inactive/Offline Sources)
(No inactive Sources associated with this EP/Plant)

(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
004	SP / EDWARDS(A)	HUNTER (GWM-1)(I)	15835		No		No

Train: (Unnamed)
------------------

(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
	1	D	403	GASEOUS CHLORINATION(PRE)
	2	B	890	CHLORAMINES (PRE)

(Active Sources)						
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM
G0940015D	HUNTER(A)	D	G	230	400	160
Drill Date		Well Data				
4/20/1965		EDWARDS AND ASSOCIAT				
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.	Seller	
29.808359	98.047631	735		97101005	Not a Purchased Source	

(Inactive/Offline Sources)
(No inactive Sources associated with this EP/Plant)

(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
005	SP / EDWARDS(A)	NELSON (GWM-2)(I)	4888		No		No

Train: (Unnamed)
------------------

(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
	1	D	401	GASEOUS CHLORINATION(POST)
	2	D	890	CHLORAMINES (PRE)

(Active Sources)						
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM
G0940015E	NELSON(A)	0	G	316	450	600
Drill Date		Well Data				
0/0/1979		EDWARDS AND ASSOCIAT				
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.	Seller	
29.80203	98.054948	0		97101005	Not a Purchased Source	

(Inactive/Offline Sources)
(No inactive Sources associated with this EP/Plant)



(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
006	SP / EDWARDS(A)	WILLOW CREEK (GWM-3)()	4889		No		No

Train: (Unnamed)

(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
	1	D	401	GASEOUS CHLORINATION(POST)
	2	D	890	CHLORAMINES (PRE)

(Active Sources)						
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM
G0940015F	WILLOW CREEK(A)	O	G	217	450	600
Drill Date		Well Data				
0/0/1984		EDWARDS AND ASSOCIAT				
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.	Seller	
29.86189	97.979972	0		97101005	Not a Purchased Source	

(Inactive/Offline Sources)  
 (No inactive Sources associated with this EP/Plant)

(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
007	TRUCK STOP TAKE POINT / GUADALUPE RIVER(A)	TRUCK STOP METER - IH35/CONRAD()	17908		No		No

Train: (Unnamed)

(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
(No treatments listed)				

(Active Sources)						
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM
P0940015E	NEW BRAUNFELS SW(A)	0	S	0	0	0
Water Body		Segment Number		Surface Water Intake Type		
		()				
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.	Seller	
0	0	0			0460001	

(Inactive/Offline Sources)
(No Inactive Sources associated with this EP/Plant)

(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
008	KINGSBURY(I)	CHLORINATOR(I)	15836		No		No

Train: (Unnamed)

(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
	1	D	423	HYPOCHLORINATION(PRE)

(Active Sources)  
 (No active Sources associated with this EP/Plant)

(Inactive/Offline Sources)			
SourceNumber	Name	Status	Depth
G0940015G	KINGSBURY PLANT	N	260

(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
009	KOLLENBERG TAKE POINT / GUADALUPE RIVER(A)	KOLLENBERG METER - IH35/FM1101()	19091		No		No

(Active Sources)							
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM	
P0940015A	NEW BRAUNFELS SW(A)	0	S	0	0	0	
Water Body		Segment Number		Surface Water Intake Type			
		()					
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.	Seller		
0	0	0			0460001		

(Inactive/Offline Sources)							
(No Inactive Sources associated with this EP/Plant)							

(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
010	WINDMILL TAKE POINT / LAKE DUNLAP(A)	WINDMILL CRWA (GWM-9) ()	19090		No		No

(Active Sources)						
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM
P0940015B	SW FROM CRWA LAKE DUNLAP WTP(A)	O	S	0	0	0
Water Body		Segment Number		Surface Water Intake Type		
		()				
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.	Seller	
0	0	0			0940091	

(Inactive/Offline Sources)
(No inactive Sources associated with this EP/Plant)



Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinstein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

January 6, 2011

Mr. Mac C. Allen, President  
Staples Farmers Corporation  
PO Box 67  
Staples, TX 78670-0067

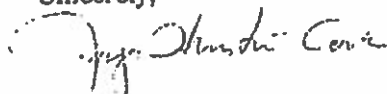
Re: Comprehensive Compliance Investigation at:  
Staples Farmers Corporation, FM 621, Guadalupe County, Texas  
RN101453090, TCEQ PWS ID 0940017, Investigation No. 878765

Dear Mr. Allen:

On November 30, 2010, Jay Don Jobson of the Texas Commission on Environmental Quality (TCEQ) San Antonio Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply systems. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions, please feel free to contact Mr. Jay Don Jobson in the San Antonio Region Office at (210) 403-4056.

Sincerely,

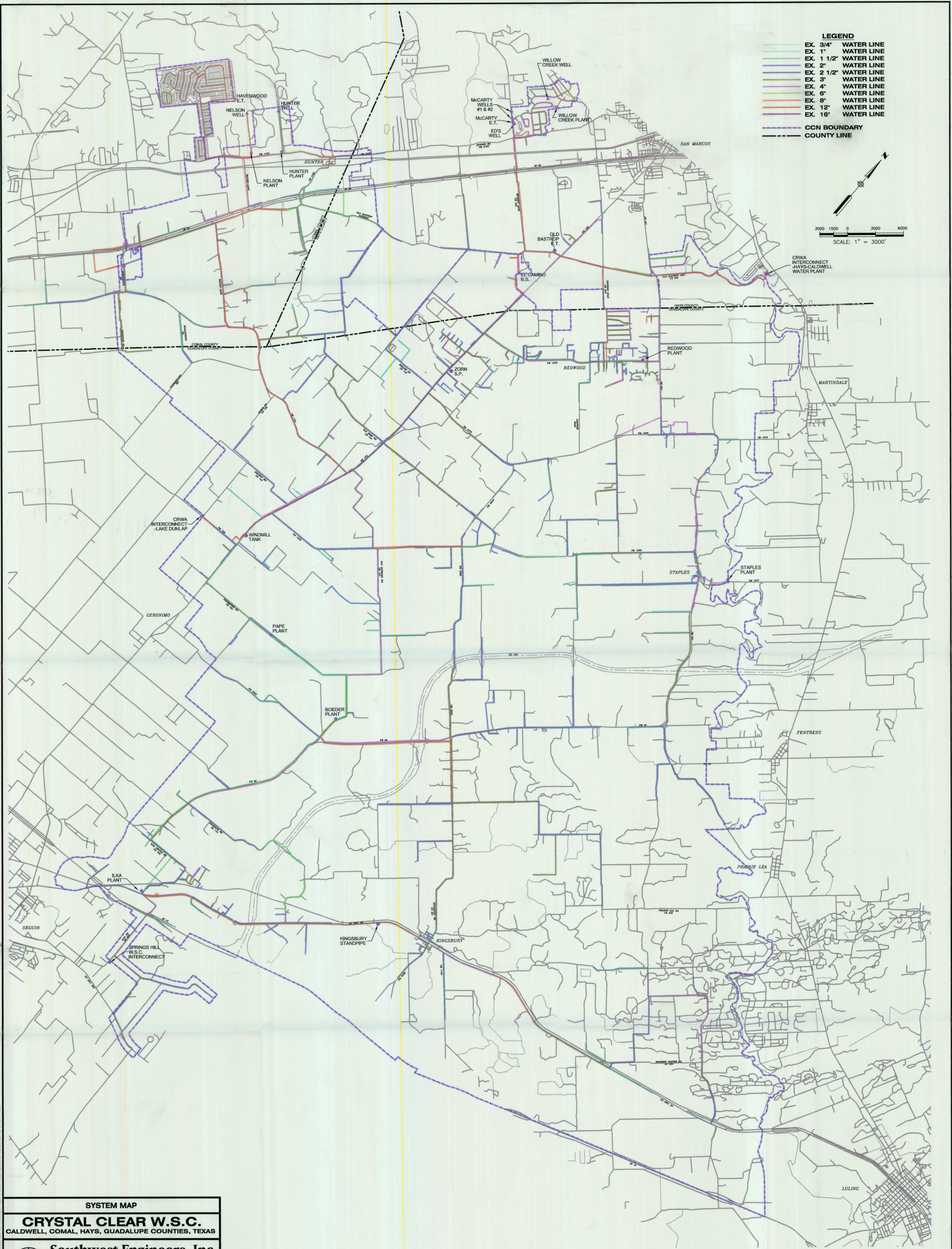


Joy Thurston-Cook  
Water Section Work Leader  
San Antonio Region Office

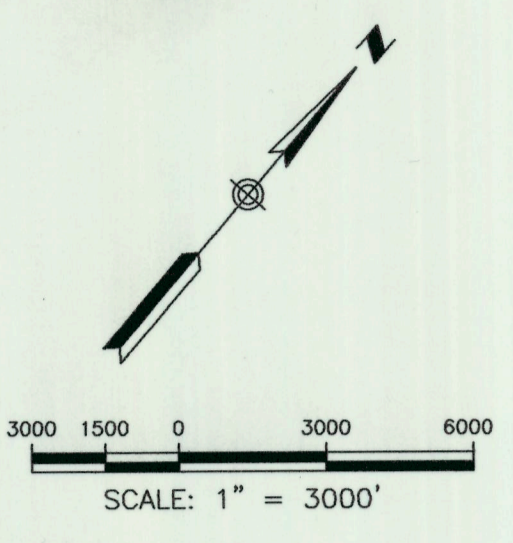
JTC/JDJ/eg

## Appendix B – System Service Area Maps





- LEGEND**
- EX. 3/4" WATER LINE
  - EX. 1" WATER LINE
  - EX. 1 1/2" WATER LINE
  - EX. 2" WATER LINE
  - EX. 2 1/2" WATER LINE
  - EX. 3" WATER LINE
  - EX. 4" WATER LINE
  - EX. 6" WATER LINE
  - EX. 8" WATER LINE
  - EX. 12" WATER LINE
  - EX. 16" WATER LINE
  - CCN BOUNDARY
  - COUNTY LINE



**SYSTEM MAP**

**CRYSTAL CLEAR W.S.C.**  
CALDWELL, COMAL, HAYS, GUADALUPE COUNTIES, TEXAS

**Southwest Engineers, Inc.**  
Civil - Environmental - Planning  
Gonzales Buda  
www.swengineers.com  
TBPE No. F-1909



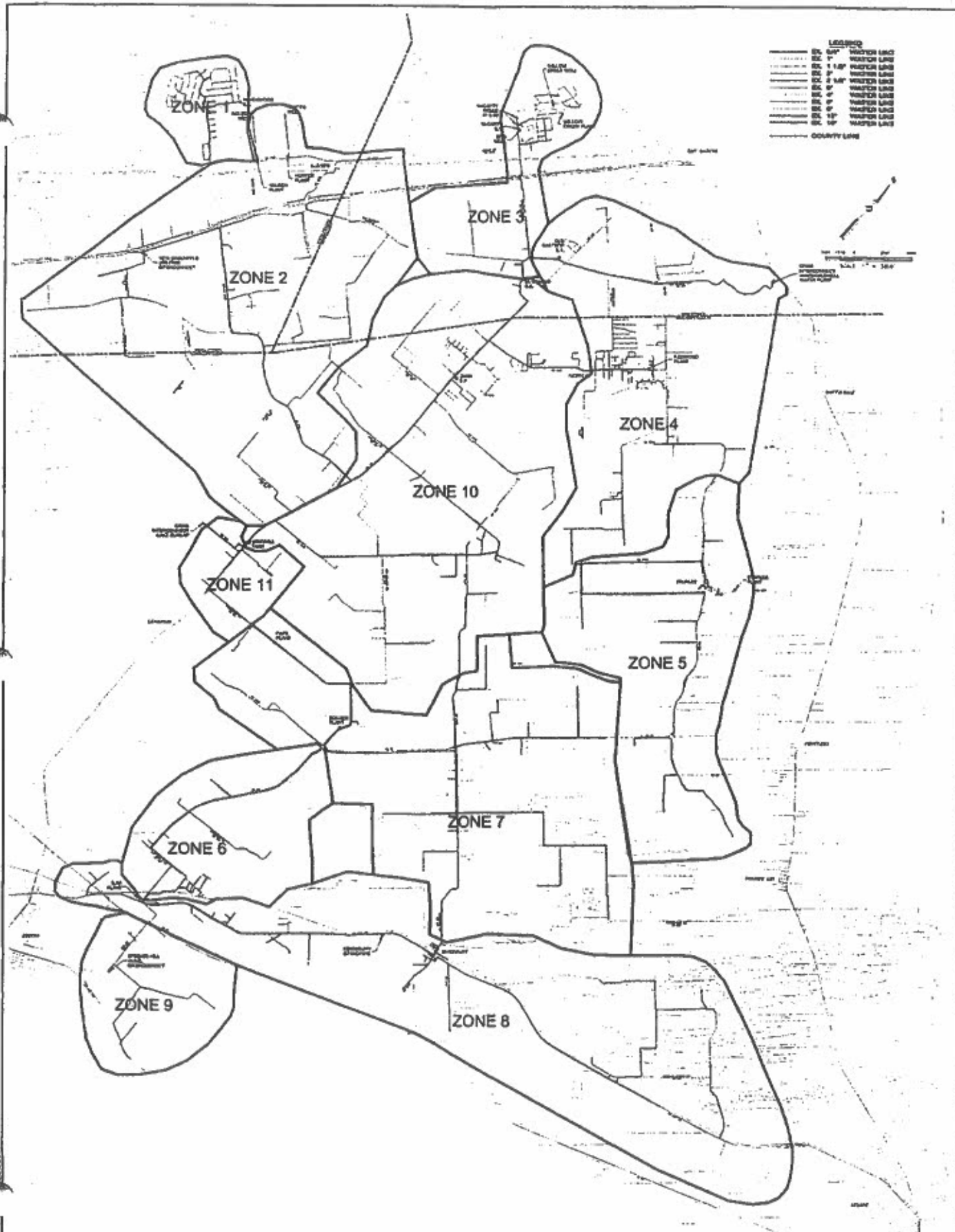




**DRAFT**



CRYSTAL CLEAR W.B.C.  
Southwest Engineers, Inc.  
1000 South Main Street  
Tulsa, Oklahoma 74106



**LEGEND**

---	50' WATCH LINE
---	100' WATCH LINE
---	150' WATCH LINE
---	200' WATCH LINE
---	250' WATCH LINE
---	300' WATCH LINE
---	350' WATCH LINE
---	400' WATCH LINE
---	450' WATCH LINE
---	500' WATCH LINE
---	COUNTY LINE

<p>DATE: _____</p> <p>SCALE: _____</p> <p>PROJECT: _____</p>	<p>SW Southwest Engineers, Inc. Civil - Surveyors - Planning Engineers</p>	<p>Map No. T-1287</p> <p>OWNER: _____</p> <p>DATE: _____</p>	<p><b>ZONING MAP</b></p> <p><b>CRYSTAL CLEAR W.S.O.</b></p> <p>GUADALUPE, HAYS &amp; COMAL, CALDWELL COUNTIES, TEXAS</p> <p>MAP 1, OF 1</p>
--	--	--	---



Appendix C – Edwards Aquifer Authority Original Permit

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

\*\*\*\*\* DO NOT REMOVE. THIS PAGE IT IS PART OF THE INSTRUMENT \*\*\*\*\*

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. P1000-215 (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.

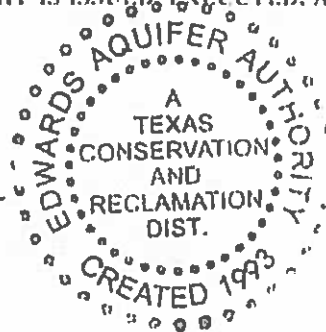
Withdrawal Point(s); Metering; Maximum Withdrawal Rate:

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, 73<sup>rd</sup> 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 26<sup>th</sup> day of Sept., 2008.

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



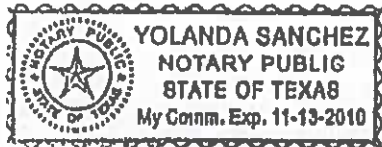
ATTEST:

*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 (11A00209-001)	29-51.00-3.10 / 97-59.00-6.80	Meter	470 gpm
W100-875 (11A00209-002)	29-51.00-9.46 / 97-59.00-9.60	Meter	0 gpm
W100-876 (11A00209-003)	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 (11A00214-004)	29-48.00-29.20 / 98-2.00-14.70	Meter	350 gpm
W100-892 (11A00214-005)	29-47.00-37.30 / 98-2.00-43.30	Meter	316 gpm
W100-893 (11A00214-006)	29-51.00-42.40 / 97-58.00-47.10	Meter	500 gpm



## Appendix D – Edwards Aquifer Authority Original Uvalde Permit

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



70 2010 10003210

Instrument Number: 2010-10003210

As

OPR RECORDINGS

Recorded On: February 11, 2010

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

\*\*\*\*\* DO NOT REMOVE. THIS PAGE IS PART OF THE INSTRUMENT \*\*\*\*\*

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: 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 herein 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:**

<b>EAA WELL NO.</b>	<b>LOCATION</b>	<b>MEASURING METHOD</b>	<b>WITHDRAWAL RATE</b>
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, 73<sup>rd</sup> 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:

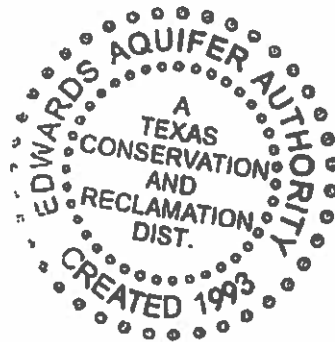
1. Groundwater may only be withdrawn from the specific well(s) as designated in this Regular Permit. If either of the specific, designated wells becomes inoperable due to age or other physical conditions, the failed well may be replaced by drilling a replacement well or by designating another well nearby 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 11<sup>th</sup> day of Feb, 2010.

  
LUANA BUCKNER  
Chairman, Board of Directors

ATTEST:  
  
ENRIQUE VALDIVIA  
Secretary, Board of Directors

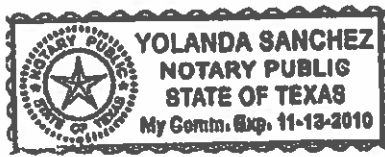


ACKNOWLEDGMENT

Bk Vol P  
10003210 OPR 3822 67

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

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Appendix E – CRWA Water Supply Contract for Wells Ranch

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WATER SUPPLY CONTRACT

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May 1, 2007

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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

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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(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 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.



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.

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.

**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.

*[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: Melvin F. Struy  
Chairman, Board of Trustees

ATTEST:

Mark Speed  
Secretary, Board of Trustees

(AUTHORITY SEAL)

EAST CENTRAL SPECIAL UTILITY

DISTRICT

By: Melvin E. Stray  
President, Board of Directors

ATTEST:

Donald C. [Signature]  
Secretary, Board of Directors

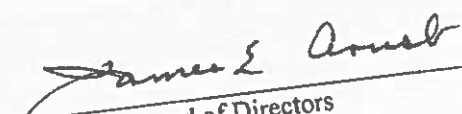
(SEAL)

GREEN VALLEY SPECIAL UTILITY

DISTRICT

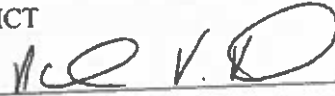
By:   
President, Board of Directors

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

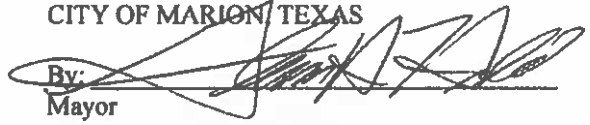
By: Jennifer Hartman  
Mayor

ATTEST:

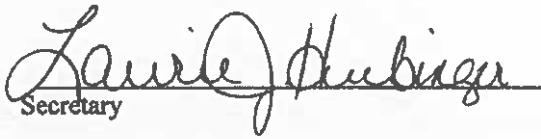
Peggy Linn  
Secretary

(CITY SEAL)

CITY OF MARION TEXAS

By:   
Mayor

ATTEST:

  
Secretary

(CITY SEAL)

CRYSTAL CLEAR WATER SUPPLY  
CORPORATION

By: Richard Hanz  
President, Board of Directors

ATTEST:

Kenn Cougill  
Secretary-Treasurer, Board of Directors

(SEAL)

SPRINGS HILL WATER SUPPLY  
CORPORATION

By: William D. O'Neil  
President, Board of Directors

ATTEST:

Clarence Hill  
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
<b>Totals</b>	<b>5,200.00</b>	<b>100%</b>	<b>3,223.80</b>	<b>4,190.90</b>

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

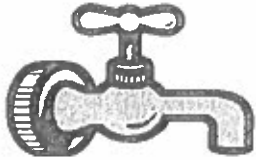
1604 Booster Station Meter  
IH-10/East Central Meter Station  
Cibolo Meter Station  
Marion Meter Station  
1518 Elevated Tank  
Haeckerville Road Meter Station  
Wagner Booster Station  
Hardy Road Meter Station  
Green Valley/Cunlap Meter Station  
Springs Hill Meter Dunlap Water Treatment Plant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

## Appendix F – CRWA Water Supply Contracts (1,300 AF/Yr)

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 22 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.

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: *[Signature]*  
General Manager

ATTEST:

*[Signature]*

CRYSTAL CLEAR WATER SUPPLY CORP.

By: *[Signature]*  
Manager

ATTEST:

*[Signature]*  
*[Signature]*

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 12<sup>th</sup> 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 S. Dietert

BY: John H. Specht  
John H. Specht, General Manager

CRYSTAL CLEAR WATER SUPPLY CORP.

ATTEST:

W.L. Glorvinko  
Secretary/Treasurer

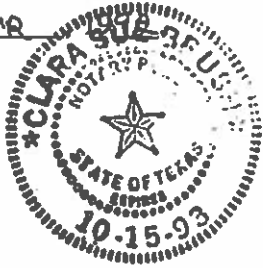
BY: Lindy Lyles  
Manager

§ 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 12<sup>th</sup> day of November



Clara Sue Brush

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 15<sup>th</sup> day of November, 1996, ("Amendment No. 2") to the Water Purchase Contract made and entered into as of the 23<sup>rd</sup> day of April, 1990 (the "Contract") and amended as of the 12<sup>th</sup> 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 (20<sup>th</sup>) 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:

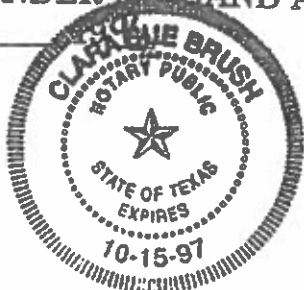
*W.L. Blenick inked*

§ 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 16<sup>th</sup> day of October



Clara Sue Brush

Notary Public in and for  
The State of Texas  
My Commission Expires: 10-15-97

SEAL

§ 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 7<sup>th</sup> 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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REGIONAL (HAYS/CALDWELL COUNTIES AREA)  
TAXABLE WATER SUPPLY CONTRACT

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August 1, 1998

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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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**FILE COPY**

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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.

## 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.

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

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 Taxable 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 Taxable 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 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 Taxable 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 Taxable 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 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 New 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. The annual budget for 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 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 4.06A 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 Taxable 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, in monthly installments in accordance with the schedule of payments furnished by the Authority (or its assigns), as hereinafter provided.

C. Each Participating Member shall pay its 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 Taxable Contract is terminated as provided herein or Additional Participating Members become subject to this Taxable 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 Taxable 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 Taxable Contract to the contrary, while this Taxable 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 Taxable 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 Taxable 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 Taxable 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.

Section 5.05. Continuing Right to Treated Water.

For and in consideration of agreeing to the unconditional payments to be made under this Taxable 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 Taxable Contract. That right shall continue for the term of this 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 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 Taxable Contract in form satisfactory to the Authority;

B. to the extent any representation contained in this Taxable 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 Taxable Contract;

C. a revised Exhibit A to this Taxable Contract satisfactory to the Authority and all then Participating Members;

D. a revised Exhibit B to this Taxable 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 Taxable 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 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 Taxable Contract from funds raised or to be raised by taxes, and the obligations under this Taxable 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 Taxable 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 utility 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 Taxable 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 Taxable 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 Taxable 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 Taxable 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 Taxable 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 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 Taxable 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 Taxable Contract. To the extent of any conflict between any Special Provision and any other provision of this Taxable 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 Taxable Contract for purposes of any other provision of this Taxable 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 Taxable 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.

## ARTICLE IX

### Miscellaneous

#### Section 9.01. Force Majeure.

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 Taxable Contract, other than the obligation of each Participating Member to make the payments required under Section 5.03 of this Taxable 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 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 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 Taxable Contract.

This Taxable 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 Taxable 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 Taxable 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 Taxable 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 Taxable 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 Taxable 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 Taxable 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 Taxable Contract may be amended upon the written consent of the Authority and all then Participating Members; provided, however, no amendment to this Taxable 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 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,



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: *Donald C. Jace*  
Chairman, Board of Trustees

ATTEST:

*Max Spang*  
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. Blumenthal  
Secretary

(SEAL)

MARTINDALE WATER SUPPLY  
CORPORATION

By: Th. M. D. J.  
President  
(ACTING)

ATTEST:

Rau 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.

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**REGIONAL TAX-EXEMPT WATER SUPPLY CONTRACT**

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**August 1, 1998**

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**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

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.



"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 construed 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.



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 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

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 Tax-Exempt 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 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**

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 Tax-Exempt Contract for purposes of any other provision of this Tax-Exempt 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 Tax-Exempt 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 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: *Donald Green*  
Chairman, Board of Trustees

ATTEST:

*Mark Spaul*  
Secretary, Board of Trustees

(AUTHORITY SEAL)

GREEN VALLEY SPECIAL UTILITY  
DISTRICT

By: *John P. Hanna*  
President

ATTEST:

*James L. Annet*  
Secretary

(SEAL)

BEXAR METROPOLITAN WATER  
DISTRICT

By: *Ronald L. Williamson*  
President, Board of Directors

ATTEST:

*Marion W. Satterfield*  
Secretary, Board of Directors

(SEAL)

CITY OF CIBOLO, TEXAS

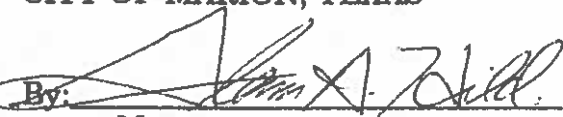
By Sam Bauder  
Mayor

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

## Appendix G – GBRA 292 Acre Feet Lease

*Transp. Sec*  
**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 16<sup>th</sup> 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.

**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.

**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.

**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, Mariindale 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 (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

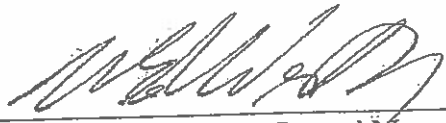
Guadalupe-Blanco River Authority  
Attention: General Manager  
933 E. Court Street  
Seguin, Texas 78155

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.

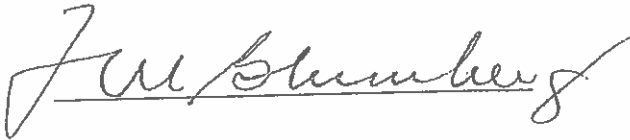
Section 37. Duplicate Originals.

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.

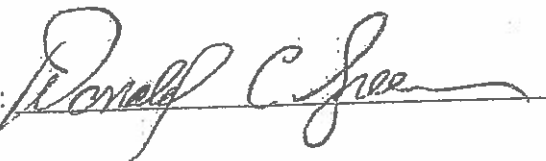
**GUADALUPE-BLANCO RIVER AUTHORITY**

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

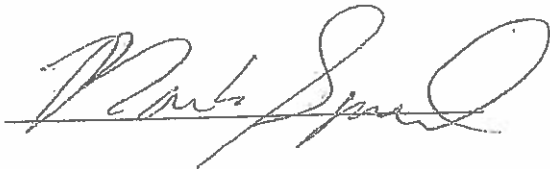
**ATTEST:**



**CANYON REGIONAL WATER AUTHORITY**

By: 

**ATTEST:**

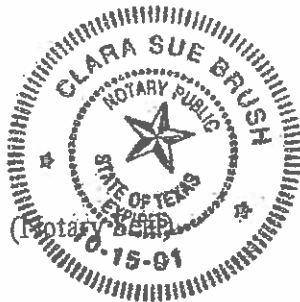


THE STATE OF TEXAS §

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 17<sup>th</sup> 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 14<sup>th</sup> 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.

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

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: *Spencer 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-B (CA-18-2074-B) issued by the Texas Water Commission, based on GBRA's rights under Permit 1885, as amended. CA-18-2074-B 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, GARA 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, GARA and San Marcos agree as follows:

A. Quantity. GARA 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 GARA 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 GARA, 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 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.

B. 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 GBRA'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 GBRA and San Marcos over the stored water rate or the delivery rate, GBRA 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, GBRA 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-15-2074-3 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:

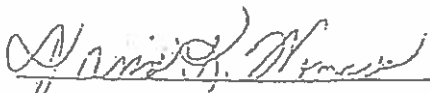
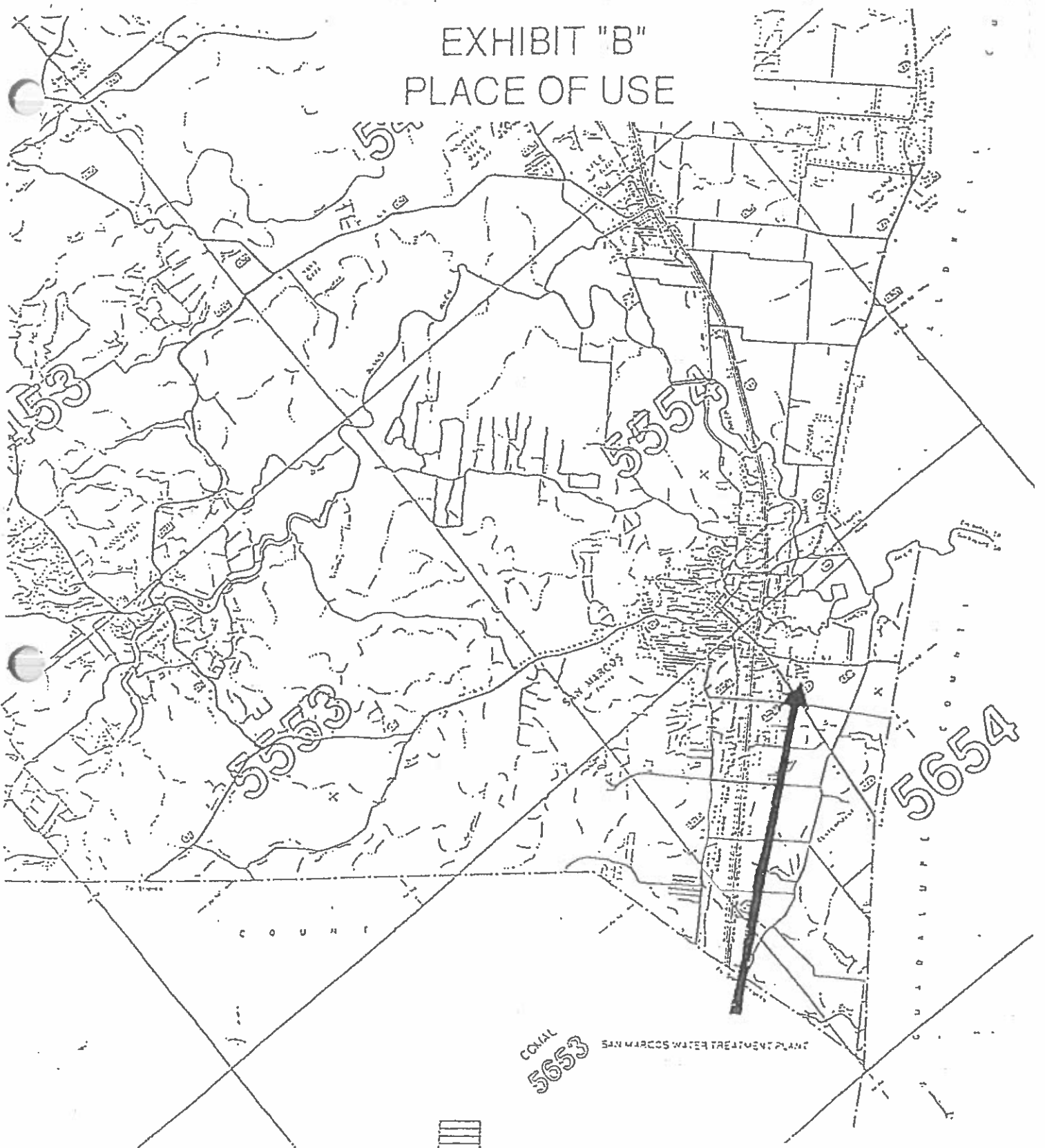
  
Janis K. Womack  
City Secretary

Exhibit "A"  
Legal Description  
San Marcos Water Treatment Plant

On the North end of the San Marcos pipeline N 1 $\frac{1}{2}$ ° 6,830 feet from the  
South corner of the Thomas G. McGehee Survey.

EXHIBIT "B"  
PLACE OF USE



SAN MARCOS WATER TREATMENT PLANT NRCC NO. 1744-A  
CITY OF SAN MARCOS WATER PURCHASE CONTRACT

GENERAL HIGHWAY MAP  
HAYS COUNTY  
TEXAS  
REVISED BY T&G  
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.

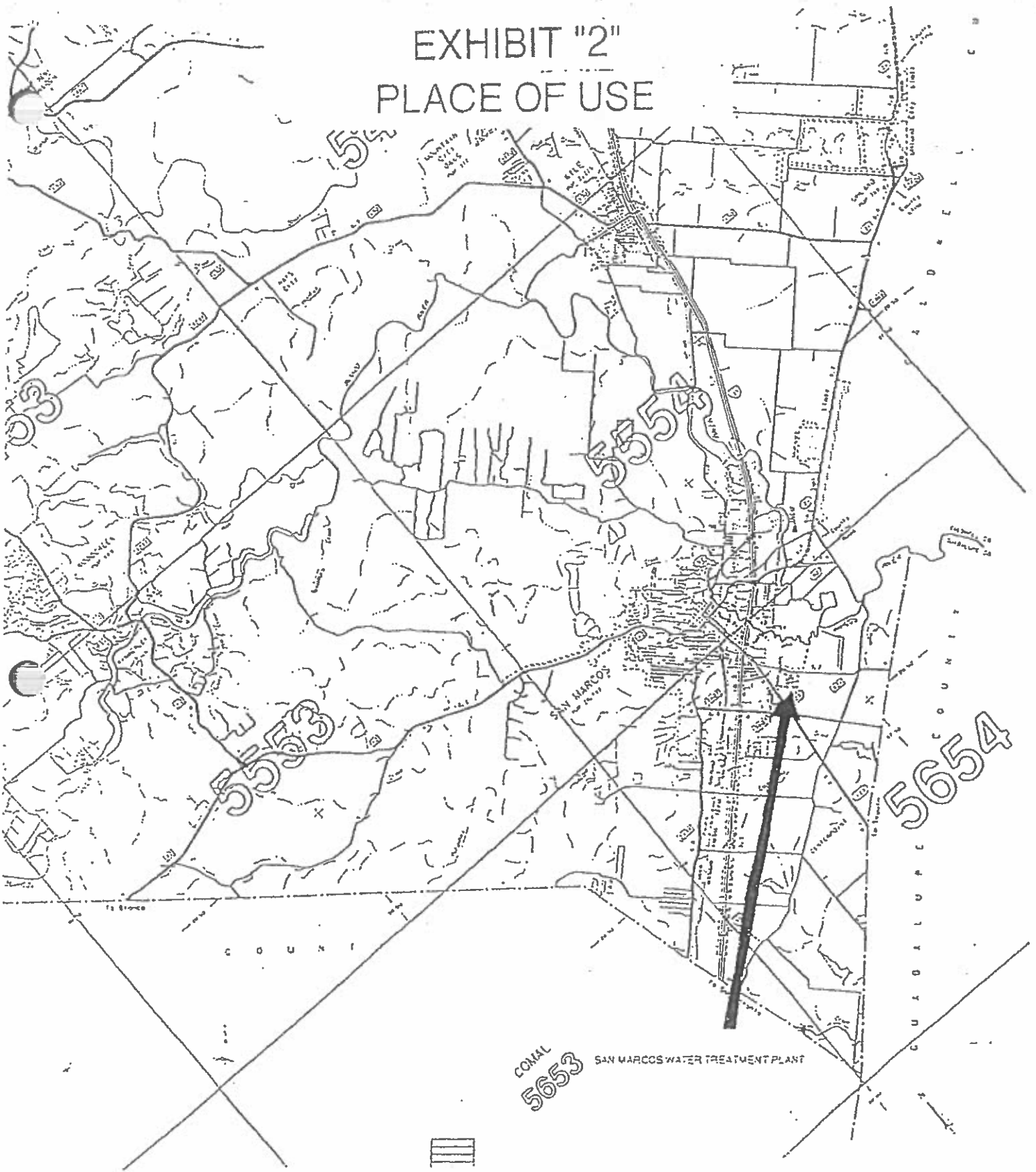
\* \* \*

# 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



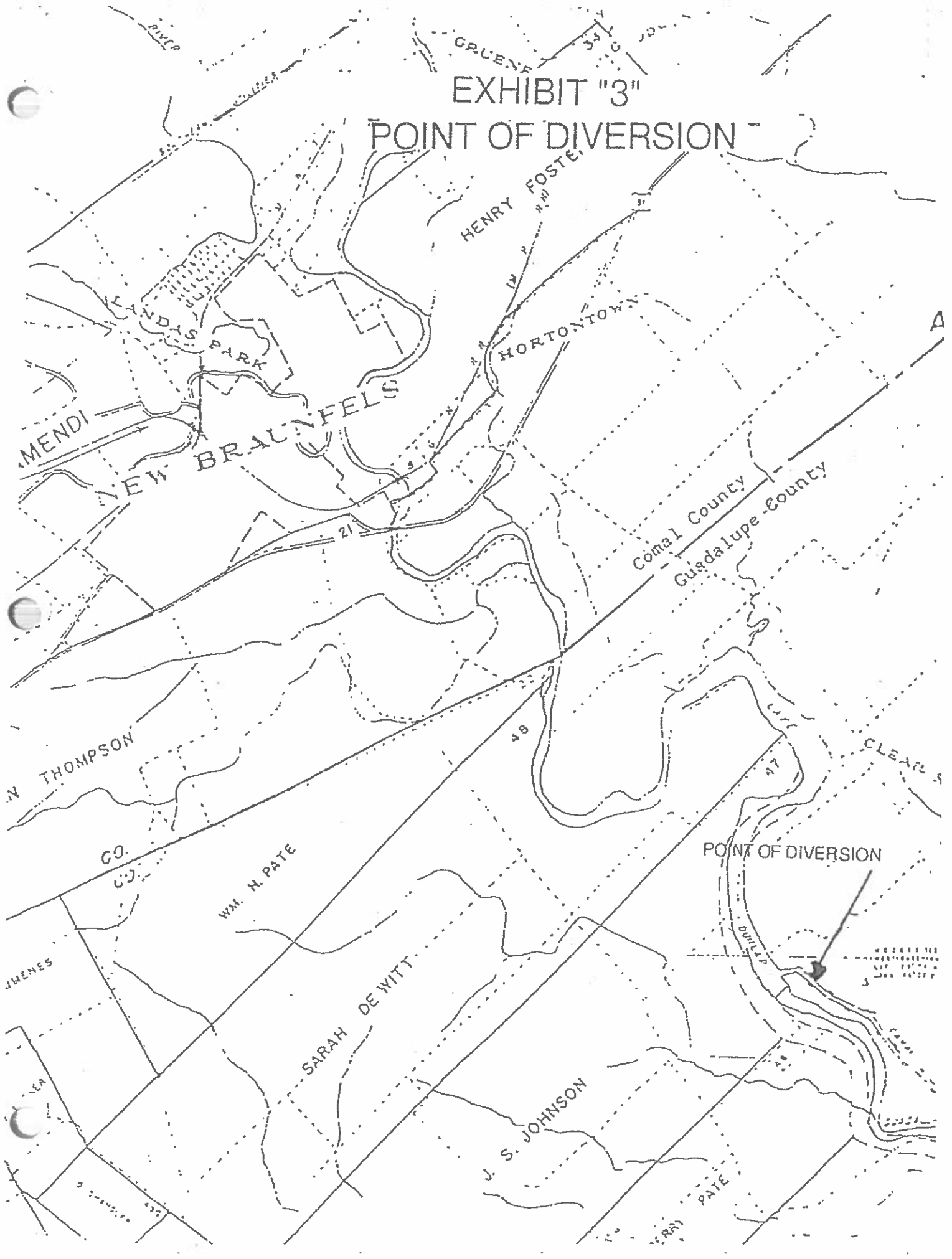
COMAL  
5653 SAN MARCOS WATER TREATMENT PLANT

SAN MARCOS WATER TREATMENT PLANT NRCC NO. 1744-A  
CITY OF SAN MARCOS WATER PURCHASE CONTRACT

GENERAL HIGHWAY MAP  
HAYS COUNTY  
TEXAS  
PRODUCED BY THE  
TEXAS DEPARTMENT OF TRANSPORTATION

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

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 (20<sup>th</sup>) 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

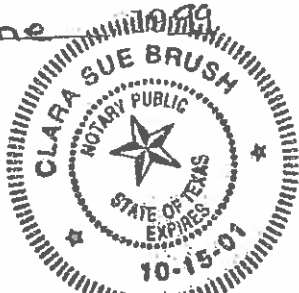
Telephone No.



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 14<sup>th</sup> day of June



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 14<sup>th</sup> day of June, 1997.



Paul M. Jaggart  
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 14<sup>th</sup>, 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 13<sup>th</sup> 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 24<sup>th</sup> 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.

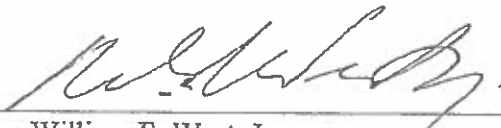
(c) From and after the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant shall not exceed 514 gpm.

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.

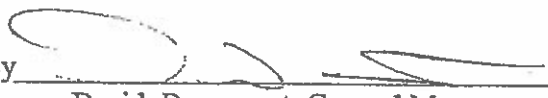
GUADALUPE-BLANCO RIVER AUTHORITY

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:

  
\_\_\_\_\_

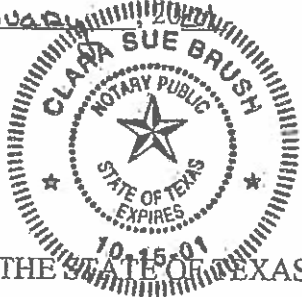


§ THE STATE OF TEXAS

§ 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 24<sup>th</sup> 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 5<sup>th</sup> day of January, 2001.



Paul M. Taggart

Notary Public in and for  
The State of Texas

My Commission Expires: 4-22-03

**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.

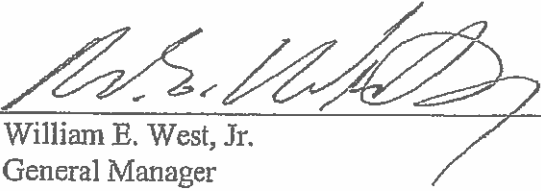
(c) From and after the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant shall not exceed 777 gpm.

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.

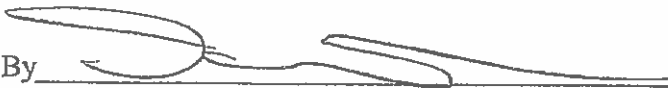
IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused the Second Amendment to be duly executed in three (3) counterparts, each of which shall constitute an original.


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

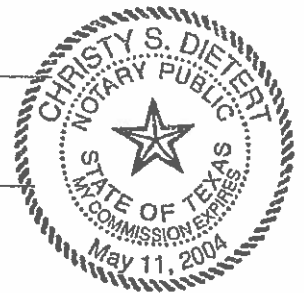
§ COUNTY OF GUADALUPE

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 1st day of February, 2002.

*Christy S. Dieter*

Notary Public in and for  
The State of Texas  
My Commission Expires: 5-11-04

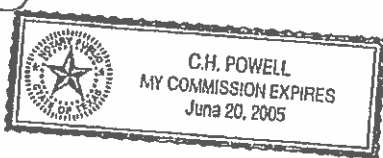


§ THE STATE OF TEXAS

§ 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.

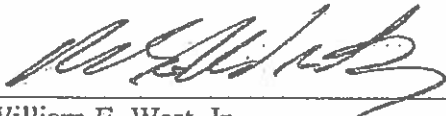
(c) From and after the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant shall not exceed 1,390 gpm.

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

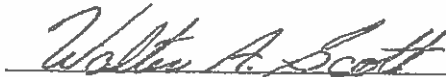
ATTEST:

  
\_\_\_\_\_

CANYON REGIONAL WATER AUTHORITY

By   
David Davenport, General Manager  
850 Lakeside Pass Drive  
New Braunfels, Texas 78130  
830/609-0543

ATTEST:

  
\_\_\_\_\_

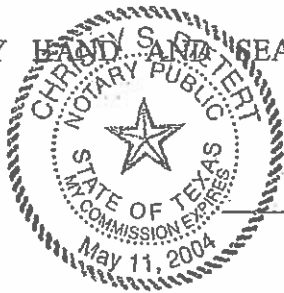


§ THE STATE OF TEXAS

§ 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 S. Dittus

Notary Public in and for  
The State of Texas

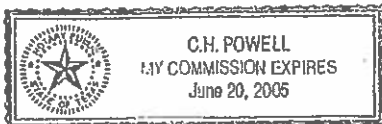
My Commission Expires: 5-11-2004

§ 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. Esnaurizar 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.

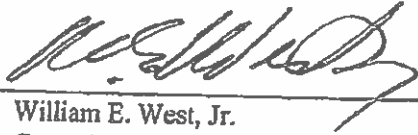
The maximum rate of diversion at the Point of Diversion shall not exceed 1,390 gallons per minute (3.1 cubic feet per second). The vicinity map attached hereto as Exhibit "A" shows the Point of Diversion. Exhibit "B" shows the place of use. Certificate of Adjudication 18-2074, as amended, authorizes 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 (20<sup>th</sup>) 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

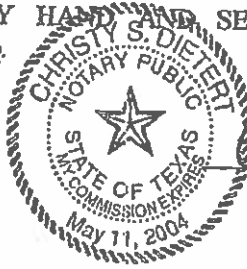
ATTEST: 

§ 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

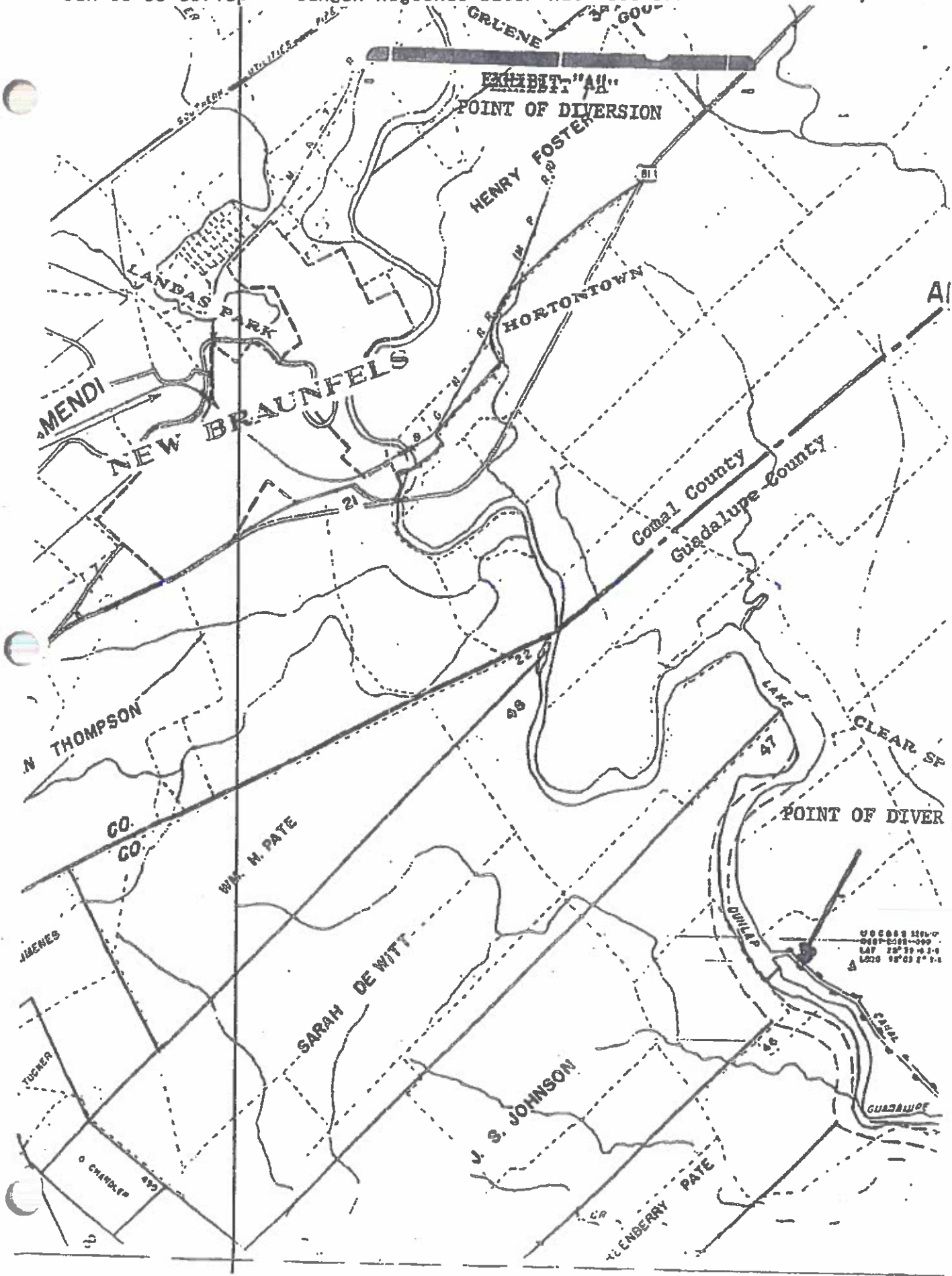
BEFORE ME, the undersigned authority, on this day personally appeared DAVID DAVENPORT, GENERAL MANAGER of the CANYON REGIONAL WATER AUTHORITY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration 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 9th day of JUNE, 2003.



C. Powell

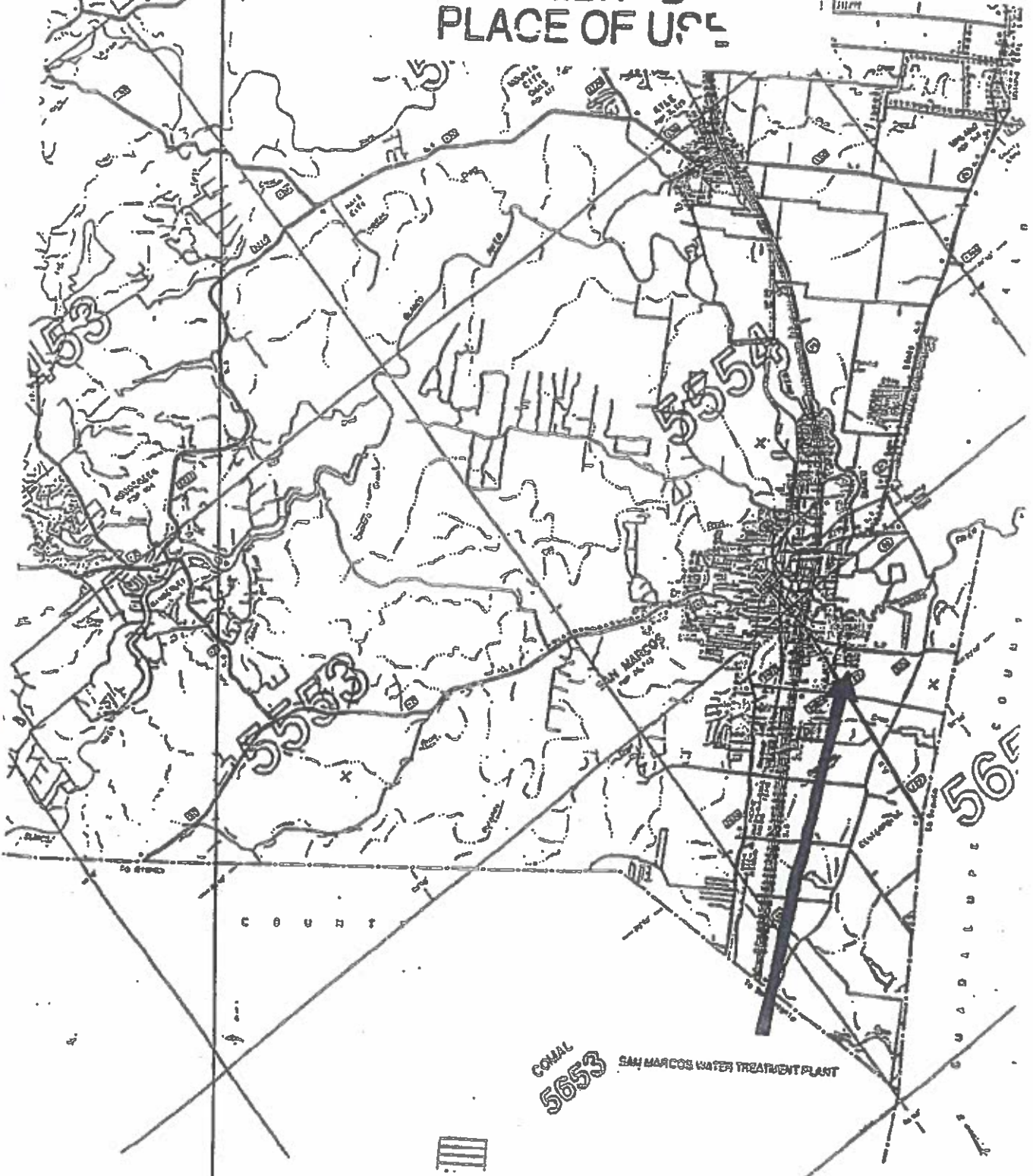
Notary Public in and for  
The State of Texas  
My Commission Expires: \_\_\_\_\_



UTM ZONE 18QUC  
 EASTING 600000  
 LAT 29° 30' 00" N  
 LONG 100° 03' 00" W



# PLACE OF USE



SAN MARCOS WATER TREATMENT PLANT NRCC NO. 1744-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. Esnaurizar 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.

## Appendix H – Trinity Well Report (Kutscher)



**Wet Rock Groundwater Services, L.L.C.**

*Groundwater Specialists*

TBFG Firm No: 50038

311 Ranch Road 620 South, Suite 103

Austin, Texas 78734 • Ph: 512-773-3226

www.wetrockgs.com

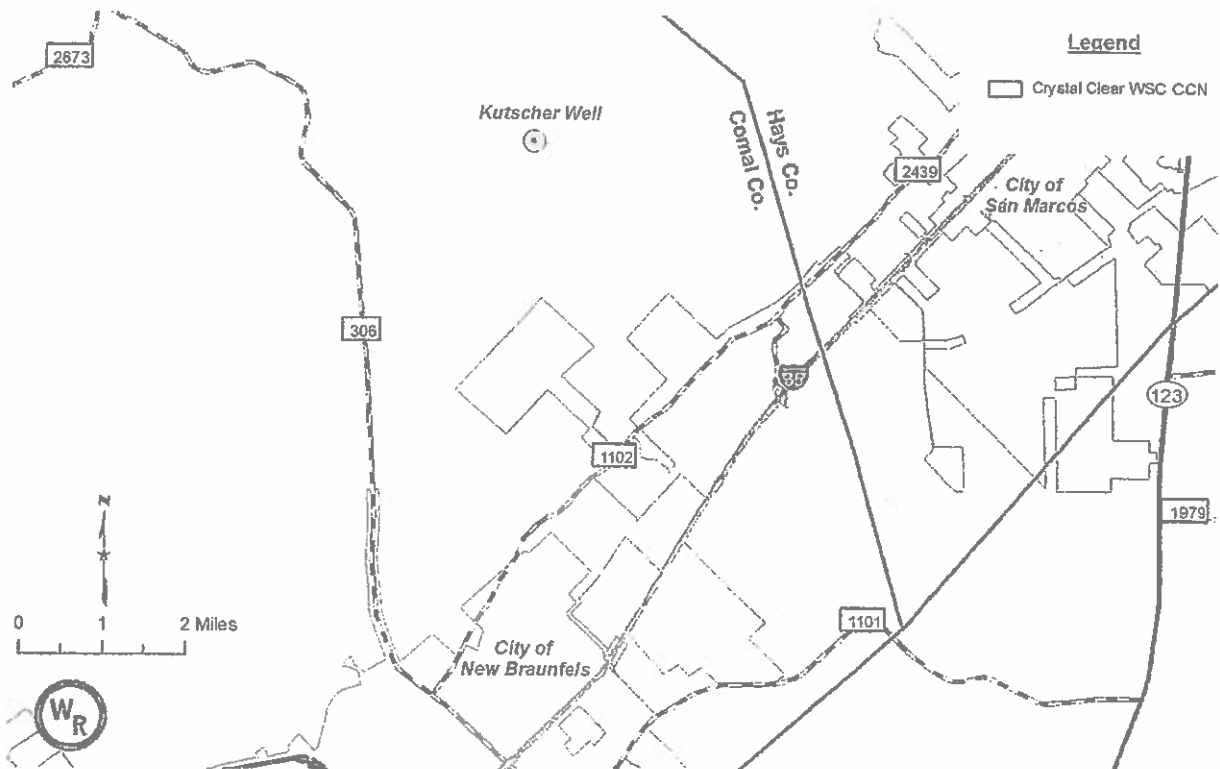
October 7, 2013

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**

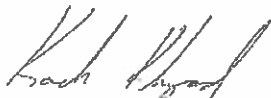
The well was completed in September of 2012 to a total depth of 1,240 ft. below ground surface (bgs) within the Trinity Aquifer with 14-inch steel casing pressure cemented. An initial pumping test during well construction was conducted on June 19, 2012 for approximately 25 hours. A 50 Horsepower (HP) 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 ft<sup>2</sup>/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 ft<sup>2</sup>/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.

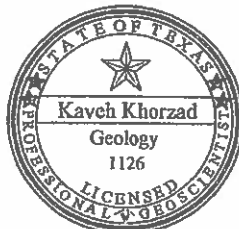
Both pumping tests conducted on the Kutscher Well were conducted during a period of extreme drought within the Central Texas area where water levels were at historic lows. The production well capacity of the Kutscher Well provided in this report represent historic drought conditions.

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



# 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*

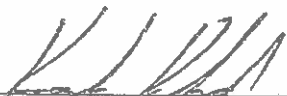
311 Ranch Road 620 South, Suite 103

Austin, Texas 78734

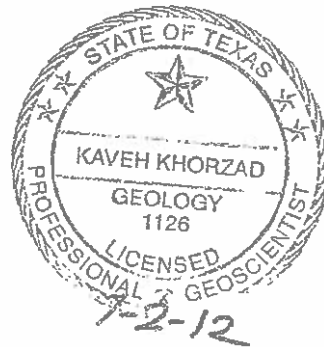
Phone: 512-773-3226 • [www.wetrockgs.com](http://www.wetrockgs.com)

TBPG Firm No: 50038

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*

TBFC Firm No: 50038

311 Ranch Road 620 South, Suite 103

Austin, Texas 78734 • Ph: 512-773-3226

www.wetrockgs.com

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**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



**Attachment 1**

Trinity Test Well Location Map



Wet Rock Groundwater Services, LLC



Groundwater Specialists

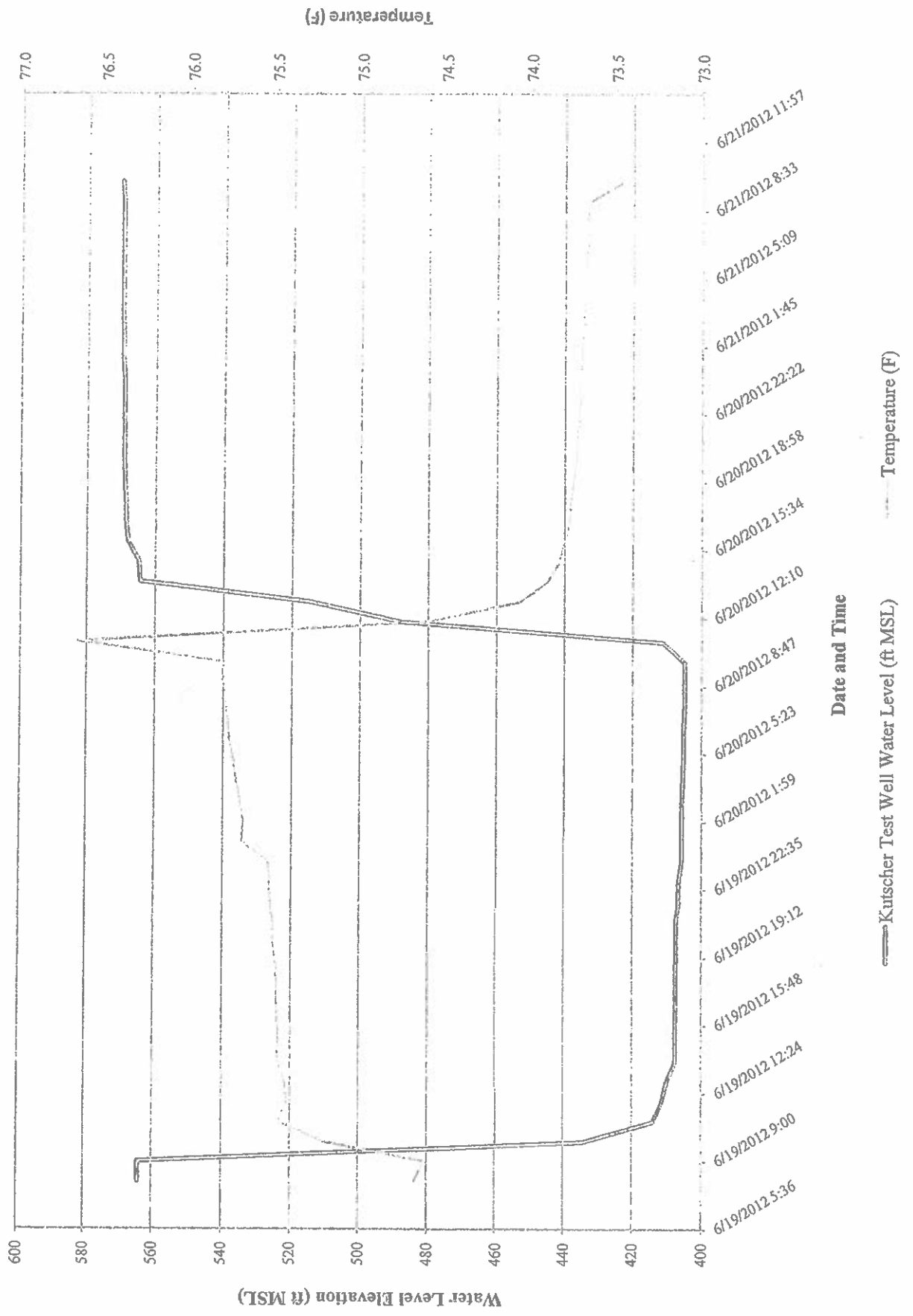


## Attachment 2

### 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	455.8	570.2	0			
6/19/2012 10:00	1		75.2	395.8	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 (ft<sup>2</sup>/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



Wet Rock Groundwater Services, LLC



Groundwater Specialists

# 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](http://www.wetrockgs.com)

TBPG Firm 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



1-21-13



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Wet Rock Groundwater Services, L.L.C.

*Groundwater Specialists*

TEPG Firm No: 58038

311 Ranch Road 620 South, Suite 103

Austin, Texas 78734 • Ph: 512-773-3226

www.wetrocksgs.com

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**Crystal Clear Water Supply Corporation**  
**Kutscher Test Well**  
**Trinity Aquifer**

**Contents**

- Attachment 1: Trinity Well Location Map
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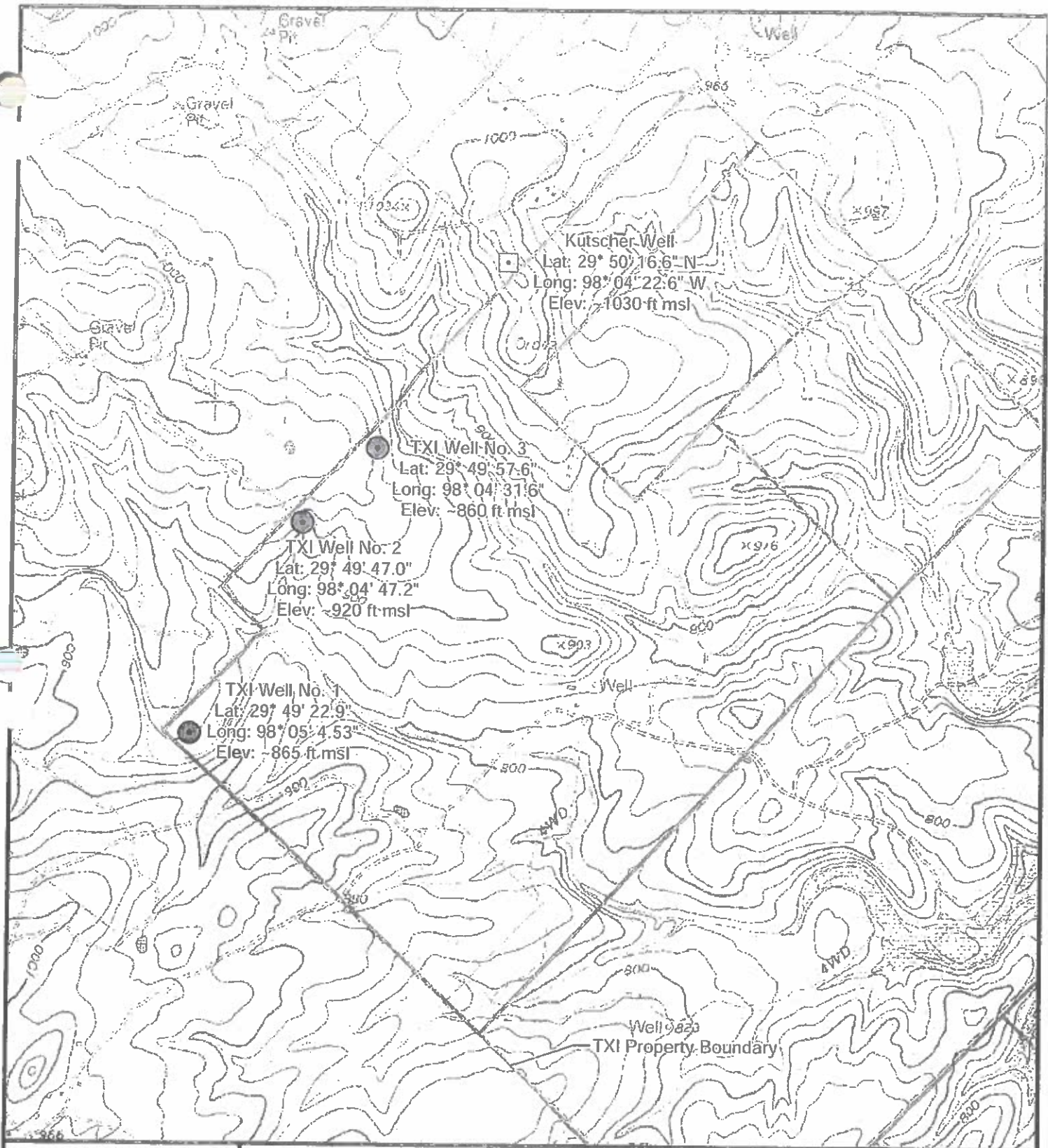




**Attachment 1**

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



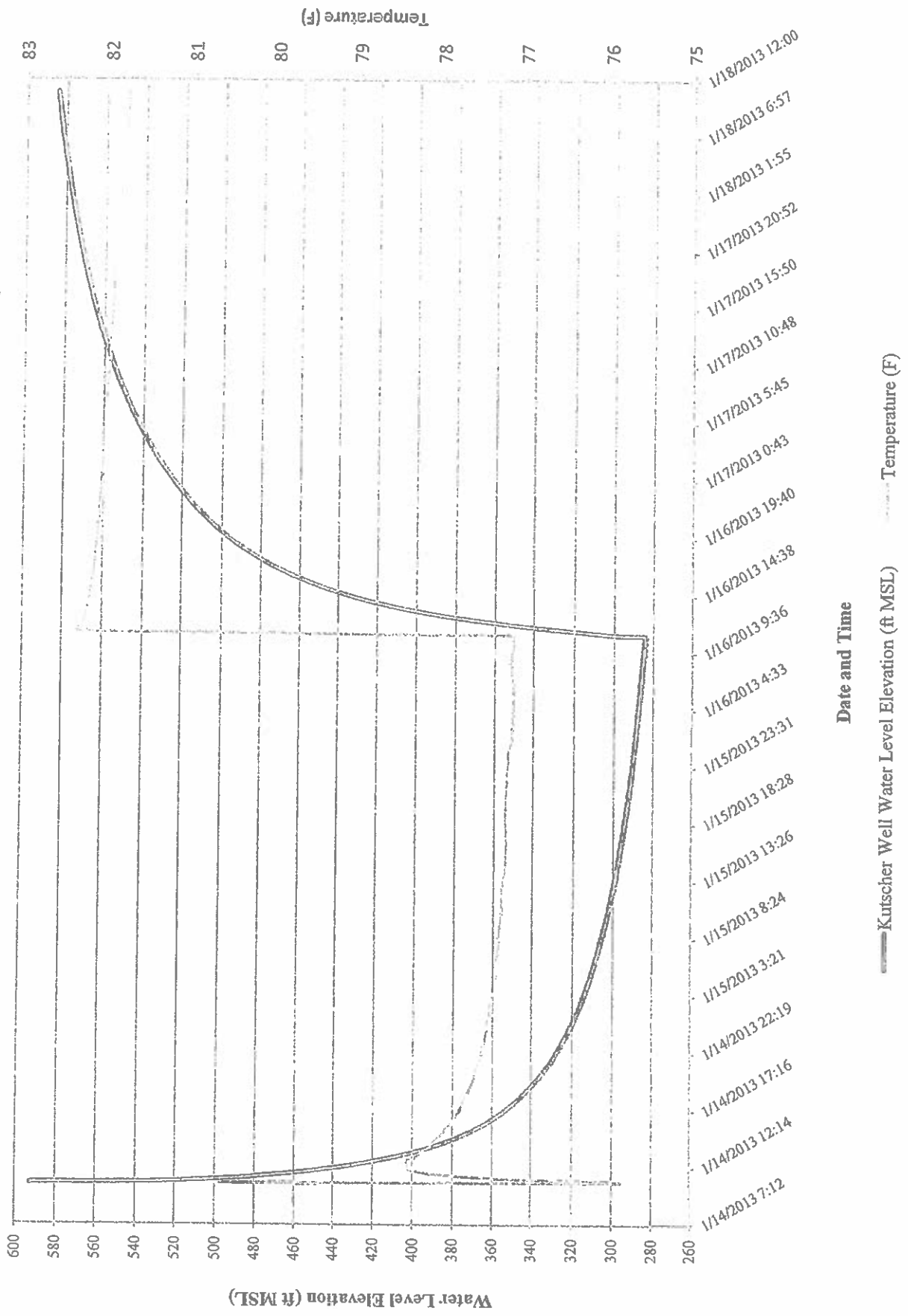
**Wet Rock Groundwater Services, L.L.C.**  
*Groundwater Specialists*  
 TBPG Firm No: 50038  
 311 RR 620 S, Ste 103 Austin, TX 78734  
 PH: 512-773-3226 [www.wetrockgs.com](http://www.wetrockgs.com)

## Attachment 2

### Water Level and Temperature Graph



# Crystal Clear WSC - Kutscher Well - Aquifer Test (January 14, 2013)



# 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 = 5,843,724
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	559.79	470.22	122.10	920	7.53	
1/14/2013 11:49	60		78.21	573.15	456.86	136.47	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	595.24	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	65.82			
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			

Note: bgs = below ground surface    Column Pipe Diameter = 6-inch    Horsepower = 200 HP  
 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  
 311 Ranch Road 620 South, Suite 103  
 Austin, Texas 78734  
 Ph: 512.773.3226  
 www.wetrockgs.com

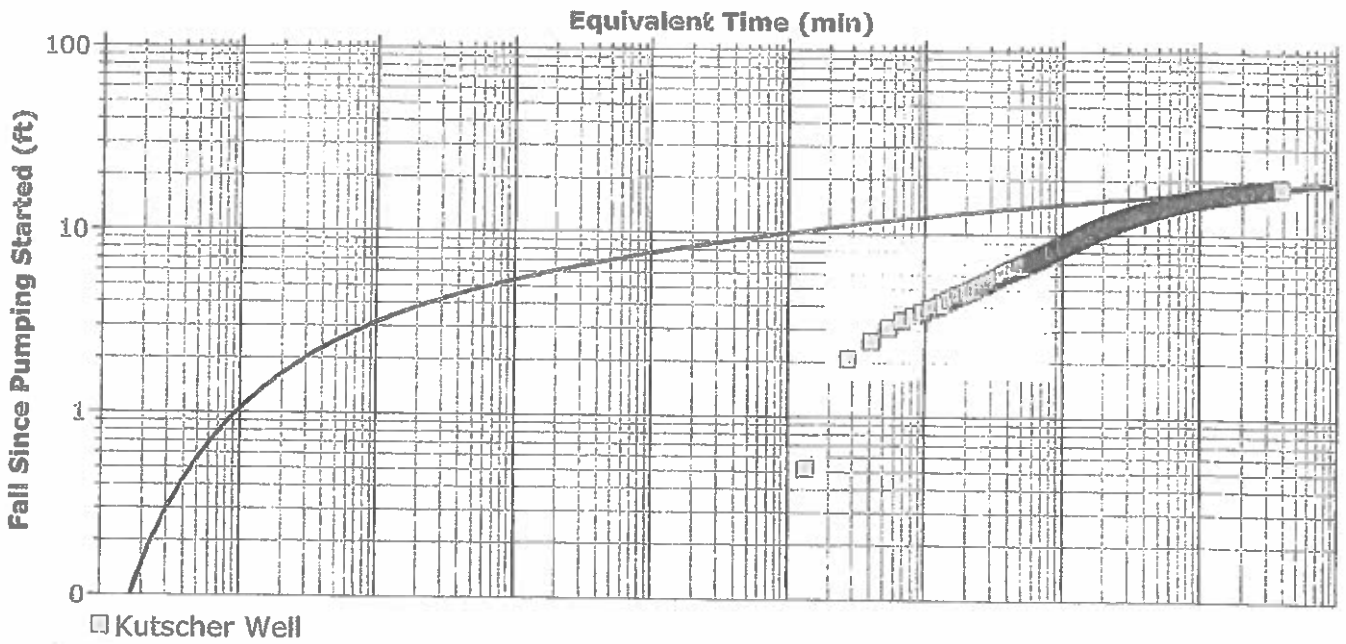
**Pumping Test Analysis Report**

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 <sup>2</sup> /d]	Hydraulic Conductivity [ft/d]	Storage coefficient	Radial Distance to PW [ft]
Kutscher Well	$5.40 \times 10^2$	$6.12 \times 10^{-1}$		

## Appendix I – Wilcox Report



Crystal Clear WSC - Well No. 1

FOR DISTRICT USE ONLY

# Guadalupe County Groundwater Conservation District

Well #	_____
Date of Application	_____
Date Certified	_____
Date officially Approved	_____
Size of Pump	_____
Maximum Yield	_____ GPM
<input type="checkbox"/> Located on Map	

## APPLICATION FOR WATER WELL PERMIT

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)

- County Guadalupe Latitude 29° 39' 15.74" N Longitude 97° 43' 49.32" W

- This well to be located: 1.7 miles N of  4.7 miles E or  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 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) and 63.3 measured yards from  (E) 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

Crystal Clear WSC - Well No. 2

FOR DISTRICT USE ONLY

# Guadalupe County Groundwater Conservation District

Well # _____
Date of Application _____
Date Certified _____
Date officially Approved _____
Size of Pump _____ Maximum Yield _____ GPM
( ) Located on Map

## APPLICATION FOR WATER WELL PERMIT

1. Crystal Clear Water Supply Corporation (830) 372-1031  
(Name of Applicant) (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' 04.2" N Longitude 97° 44' 05.5" W

5. This well to be located: 2.1 miles N of (S) and 5.1 miles E of (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 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. Wulley

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

Crystal Clear WSC - Well No. 3

# Guadalupe County Groundwater Conservation District

FOR DISTRICT USE ONLY

Well #	_____
Date of Application	_____
Date Certified	_____
Date officially Approved	_____
Size of Pump	_____
Maximum Yield	_____ GPM
<input type="checkbox"/> Located on Map	

## APPLICATION FOR WATER WELL PERMIT

1. 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:

1. Proposed Size 10 INCHES Maximum Yield 125 GPM

2. Proposed Use Public Water Supply

3. 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° 38' 54.64" N Longitude 97° 44' 16.48" W

5. This well to be located: 2.3 miles N of S and 5.3 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 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. [Signature]      Interim General Manager  
Signature (Owner or Agent)      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]      6-13-13  
District Manager      Date



## Appendix J – Staples Comprehensive Performance Evaluation



109 South River Street  
Seguin, TX 78155  
Office: 830-433-4824 • Fax: 830-433-4868

Mr. Mark Speed  
Crystal Clear Water Supply Corporation  
2370 F.M. 1979  
San Marcos, Texas 78666

May 16, 2011

Re: GF# 1010327-SGSA  
Staples Farmers Corporation to Crystal Clear Water Supply Corporation

Dear Mark:

Enclosed is the Deed recorded in Caldwell County.

Thank you again and please let me know if I can be of assistance in any matter.

INDEPENDENCE TITLE COMPANY

Cheryl Chambers, Escrow Officer

enclosure

VOL 2989 P 60500

113269

Independence Title Company G.F. #1010327-SGSA

STAPLES FARMERS CORPORATION

TO

CRYSTAL CLEAR WATER SUPPLY CORPORATION

11-007415

**WARRANTY DEED**

**Notice of confidentiality rights: If you are a natural person, you may remove or strike any or all of the following information from any instrument that transfers an interest in real property before it is filed for record in the public records: your Social Security number or your driver's license number.**

Date: April 29, 2011

Grantor: STAPLES FARMERS CORPORATION, also known as Staples Farmers' Corporation

Grantor's Mailing Address: P.O. Box 67, Staples, Texas 78670 (Guadalupe County)

Grantee: CRYSTAL CLEAR WATER SUPPLY CORPORATION

Grantee's Mailing Address: 2370 F.M. 1979, San Marcos, Texas 78666 (Guadalupe County)

Consideration: Ten and No/100 Dollars (\$10.00) and other valuable consideration paid to Grantor by Grantee.

Property (including any improvements):

TRACT ONE: 0.027 acre, more or less, situated in the Town of Staples, Guadalupe County, Texas, and being a part of the George Allen Survey, A-1, and being also all of a tract of land conveyed to Staples Farmers Co-op Association as recorded in Volume 255, page 400, Deed Records, Guadalupe County, Texas, being more particularly described in Exhibit A-1 attached hereto and made a part hereof.

TRACT TWO: 0.132 acre, more or less, situated in Caldwell County, Texas, and being a part of the Almerion Dickinson Survey, A-5, Caldwell County, Texas, and being also all of a tract of land conveyed to Staples Farmers Coop by deed recorded in Volume 471, page 414 of the Deed Records of Caldwell County, Texas, being more particularly described on Exhibit A-1 attached hereto and made a part hereof.

TOGETHER WITH all easements of Grantor situated in Guadalupe County, Texas, and/or Caldwell County, Texas, including without limitation those easements shown in Exhibit A-2

CERTIFIED TO BE A TRUE  
AND CORRECT COPY,  
Guadalupe County Clerk

PAGE 1 OF 11

attached hereto and made a part hereof; however, all such easements are conveyed herein by Grantor to Grantee without any express or implied warranty, and all warranties that might arise by common law and the warranties in Section 5.023 of the Texas Property Code (or its successor) are excluded as to all such easements.

Reservations from Conveyance: None.

Exceptions to Conveyance and Warranty:

Any and all visible and/or apparent easements located on, over or across the Property.

All leases, grants, exceptions or reservations of coal, lignite, oil, gas and other minerals, together with all rights, privileges, and immunities relating thereto appearing in the public records whether listed in this instrument or not. There may be leases, grants, exceptions or reservations of mineral interests that are not listed.

**TRACT ONE:**

Notice to the Public by Staples Farmers Corporation re: CCN No. 12435, acknowledged on September 8, 2005, recorded in Volume 2214, Page 395, Official Public Records, Guadalupe County, Texas.

CCN 12435 Service Area Description dated February 6, 2007, by Staples Farmers Corporation, recorded in Volume 2435, page 235, Official Public Records, Guadalupe County, Texas.

Encroachments of fence into Park Avenue as shown on survey plat prepared by Claude Hinkle Surveyors, dated March 21, 2011; any portion of the property located between property line and fence located outside property line as shown on above-identified survey plat is conveyed herein by Grantor to Grantee without any express or implied warranty, and all warranties that might arise by common law and the warranties in Section 5.023 of the Texas Property Code (or its successor) are excluded as to any such portion.

Encroachments of fences into the Property as shown on survey plat prepared by Claude Hinkle Surveyors, dated March 21, 2011; rights, interest, and/or claims, if any, of adjoining owner(s) in and to portions of the Property lying between property lines and fences located inside property lines as shown on above identified survey plat.

**TRACT TWO:**

Mineral/royalty interest, and rights related thereto, express or implied, reserved in instrument recorded in Volume 237, page 20, Deed Records, Caldwell County, Texas, by Dr. Clay Nichols, Sr, et al, to M.G. White, reference to which instrument is here made for all purposes.

CLAYTON J. WILSON  
AND GONNORAL O'NEILL  
Guadalupe County Clerk  
PAGE 2 OF 11

Sanitary Control Easement dated June 4, 1996, by Thomas E. Hightower, Jr., to Staples Farmers Corporation, recorded in Volume 148, page 643. Official Public Records, Caldwell County, Texas.

Sanitary Control Easement dated May 31, 1996, by Thomas L. & Anne L. McDonald to Staples Farmers Corporation, recorded in Volume 156, page 435. Official Public Records, Caldwell County, Texas.

CCN 12435 Service Area Description dated February 6, 2007, by Staples Farmers Corporation, recorded in Volume 485, page 351. Official Public Records, Caldwell County, Texas.

Notice to the Public by Staples Farmers Corporation re: CCN No. 12435, acknowledged on September 8, 2005, recorded in Volume 432, page 256. Official Public Records, Caldwell County, Texas.

Encroachments of fences into the Property as shown on survey plat prepared by Claude Hinkle Surveyors, dated March 21, 2011; rights, interest, and/or claims, if any, of adjoining owner(s) in and to portions of Property lying between property lines and fences located inside property lines as shown on above-identified survey plat.

The obligation, if any, to provide free water as set out in an instrument between M.G. White and Staples Farmers Cooperative, dated February 1, 1960, but only to the extent that such agreement may still be in force. Grantee agrees to assume such obligation, if any.

Grantor, for the Consideration and subject to the Reservations from Conveyance and the Exceptions to Conveyance and Warranty, grants, sells, and conveys to Grantee the Property, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Grantee and Grantee's heirs, successors, and assigns forever. Grantor binds Grantor and Grantor's heirs and successors to warrant and forever defend all and singular the Property to Grantee and Grantee's heirs, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof, except as to the Reservations from Conveyance and the Exceptions to Conveyance and Warranty.

When the context requires, singular nouns and pronouns include the plural.

Any exhibits mentioned in this instrument and attached to this instrument, and any recorded instruments and/or plats mentioned in this instrument, are made a part of this instrument for all purposes.

Current ad valorem taxes on the Property having been pro rated, the payment thereof is assumed by Grantee.

By accepting this instrument and/or taking possession of the Property, (1) Grantee agrees that Grantees is taking the Property "AS IS" with any and all latent and patent defects and that there is no warranty by Grantor that the Property has a particular financial value or is fit for a particular purpose, (2) Grantee acknowledges and stipulates that Grantee is not relying on any representation, statement, or other assertion with respect to the Property condition but is relying on Grantee's examination of the Property, and (3) Grantee takes the Property with the express understanding and stipulation that there are no express or implied warranties except for any warranties of title set forth in this deed.

GRANTOR:

STAPLES FARMERS CORPORATION

By: MAC C. ALLEN  
MAC C. ALLEN, President

ACCEPTED AND AGREED TO BY:

CRYSTAL CLEAR WATER SUPPLY CORPORATION

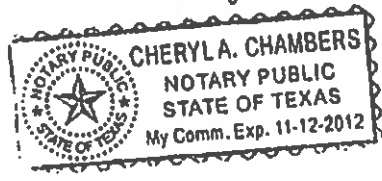
By: Denise Krackauer, President

STATE OF TEXAS  
COUNTY OF GUADALUPE

This instrument was acknowledged before me on April 29, 2011, by MAC C. ALLEN, President of STAPLES FARMERS CORPORATION, a Texas corporation, on behalf of said corporation.

OPTIONAL FORM NO. 69-A (REV. 10-2009)  
NOTARY PUBLIC COPY  
Cheryl A. Chambers, County Clerk  
PAGE 4 OF 11

Cheryl Chambers  
Notary Public, State of Texas



YOL2989 960504

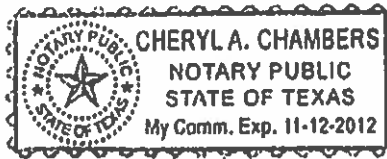
STATE OF TEXAS  
COUNTY OF GUADALUPE

This instrument was acknowledged before me on April 29, 2011, by Dennis Kasckin, President of CRYSTAL CLEAR WATER SUPPLY CORPORATION, on behalf of said corporation.

*Cheryl Chambers*  
Notary Public, State of Texas

Prepared in the Law Office of:

Joseph B. Dibrell, Jr.  
207 S. Camp  
P.O. Box 13  
Seguin, TX 78156-0013



CERTIFIED TO BE A TRUE  
AND CORRECT COPY,  
Guadalupe County Clerk

PAGE 5 OF 11 *Ref*

Staples Farmers Corporation  
Water Line Easements

Larry R. White and De Ann S. White	2059	0522-0524	9/10/2004
Elizabeth S. Wise	1614	0115-0116	7/6/2001
Yoakum Herald-Times, Inc.	2327	0441-0442	6/20/2006
A. York and Bonnie B. York	1517	0999-1000	5/30/2000
William York, Jr. and Nancy C. York	1518	0001-0003	5/30/2000

1012989 P80

FILED FOR RECORD  
11 APR 29 PM 1:58

STATE OF TEXAS  
COUNTY OF GUADALUPE  
I hereby certify that this instrument was FILED on the  
date and at the time stamped thereon and  
was duly recorded in the Official Public  
Records of Guadalupe County, Texas.

TERESA KIEL  
COUNTY CLERK GUADALUPE COUNTY

BY *[Signature]*



*Teresa Kiel*  
TERESA KIEL  
Guadalupe County Clerk

ITCOA

STATE OF TEXAS  
COUNTY OF GUADALUPE  
I do hereby certify that the foregoing is a true  
and correct copy as the same appears on FILE  
AND RECORDED in the Official Public Records  
of Guadalupe County, Texas, on the date and  
time stamped thereon



*Teresa Kiel*  
TERESA KIEL  
Guadalupe County Clerk  
By *[Signature]* Deputy

THIS IS TO BE A TRUE  
AND CORRECT COPY,  
Guadalupe County Clerk  
FACT *[Signature]*

APR 29 2011



## Exhibit A-1

All of a certain tract or parcel of land situated in the Town of Staples, Guadalupe County, Texas and being a part of the George Allen Survey A-1 and being also all of a tract of land conveyed to Staples Farmers Co-op Association as recorded in Volume 255 Page 400 of the Deed Records of Guadalupe County, Texas and being more particularly described as follows:

**BEGINNING** at a capped  $\frac{1}{2}$ " iron pin set in the SW line of Park Avenue and in the North corner of the above mentioned Farmers tract and in a reentrant corner of a tract of land called 0.32 acres and conveyed to Adolph L. Katzer et ux and described in Volume 783 Page 1200 of the said Deed Records for the North corner this tract and from which point a  $\frac{1}{2}$ " iron pin found used for basis of bearing bears N 49 degrees 45 minutes 00 seconds W 22.40 feet.

**THENCE** S 49 degrees 45 minutes 00 seconds E with the SW line of the said Park Avenue and the NE line of the said Farmers tract 35.70 feet to a capped  $\frac{1}{2}$ " iron pin set in the East corner of the said Farmers tract and in an exterior corner of the above mentioned 0.32 acre tract for the East corner this tract.

**THENCE** S 39 degrees 45 minutes 00 seconds W with the SE line of the said Farmers tract and a NW line of the said 0.32 acre tract 33.00 feet to a  $\frac{3}{4}$ " iron pipe found used for basis of bearing in the South corner of the said 0.32 acre tract and an ell corner of the said 0.32 acre tract for the South corner this tract.

**THENCE** N 49 degrees 32 minutes 03 seconds W with the SW line of the said 0.32 acre tract and a NE line of the said 0.32 acre tract 35.82 feet to a  $\frac{1}{4}$ " iron pipe found in the West corner of the said Farmers tract and an ell corner of the said 0.32 acre tract for the West corner this tract.

**THENCE** N 39 degrees 57 minutes 53 seconds E with the NW line of the said Farmers tract and a SE line of the said 0.32 acre tract 32.86 feet to the place of beginning containing 0.027 acres of land more or less.

GENEVA L. COLEMAN  
 COUNTY CLERK  
 Guadalupe County Clerk

PAGE 1 OF 11

# Exhibit A-1

All of a certain tract or parcel of land situated in Caldwell County, Texas and being a part of the Almerion Dickinson Survey A-5 and being also all of a tract of land conveyed to Staples Farmers Co-op by deed recorded in Volume 471 Page 414 of the Deed Records of Caldwell County, Texas and being more particularly described as follows:

*BEGINNING at a 5/8" iron pin found in the NW line of Farm to Market # 1977 and an apparent reentrant corner of a tract of land called 530.63 acres and conveyed to Thomas L. McDonald et ux by deed recorded in Volume 92 Page 363 of the Official Records of Caldwell County Texas and the East corner of the above mentioned Staples Farmers Co-op tract for the East corner this tract and from said 5/8" iron pin found a concrete monument found used for basis of bearing bears N 30 degrees 58 minutes 00 seconds E 31.12 feet.*

*THENCE S 30 degrees 58 minutes 00 seconds W with the NW line of Farm to Market # 1977 and the SE line of the said Staples Farmers Co-op tract 73.75 feet to a concrete monument found used for basis of bearing in the South corner of the said Staples Farmers Co-op tract and in the apparent exterior corner of the above mentioned McDonald tract for the South Corner this tract.*

*THENCE N 40 degrees 48 minutes 15 seconds W with the SW line of the said Staples Farmers Co-op tract 82.12 feet to a capped 3/8" iron pin set in the West corner of the said Staples Farmers Co-op tract and an ell corner of the said McDonald tract for the West corner this tract.*

*THENCE N 30 degrees 58 minutes 00 seconds E with the NW line of the said Staples Farmers Co-op tract 73.75 feet to a 5/8" iron pin found in the North corner of the said Staples Farmers Co-op tract and an ell corner of the said McDonald tract for the North corner this tract.*

*THENCE S 40 degrees 48 minutes 15 seconds E with the NE line of the said Staples Farmers Co-op tract 82.12 feet to the place of beginning containing 0.132 acres of land more or less.*

DEEMED TO BE A TRUE  
AND CORRECT COPY.  
Caldwell County Clerk

PAGE 1 OF 11

EXHIBIT A-2  
(Page 1)

An easement retained in a deed to Clarence W. Grumbles et ux recorded in Volume 1129, Page 530,  
of the Official Records of Guadalupe County, Texas.

CLERK OF COUNTY CLERK  
AND DIRECT COPY,  
Guadalupe County Clerk  
PAGE: 8 OF 11 *Rg*

YOL2989 P60508

EXHIBIT A-2  
(Page 2)

Staples Farmers Corporation  
Sanitary Control Easements

Caldwell County Grantor: Thomas E. Hightower Vol. 148 Pages 643-645 filed July 2, 1996

Caldwell County Grantors: Thomas L. & Anne L. McDonald Vol. 156 Pages 435-437 filed Dec 16, 1996

CERTIFIED TO BE A TRUE  
AND CORRECT COPY,  
Caldwell County Clerk  
PAGE 9 OF 11 *RG*

Grantor	Vol	Pages	Date Filed
Marcus W. Allen and Gladys R. Allen	2098	0003-0004	12/21/2004
Peggy Lynn Anderson	2098	0001-0002	12/21/2004
D. R., W. W. Jr., C. C., and T. D. Bagley	2059	529	9/10/2004
Bertram Carroll	1527	0853-0854	7/11/2000
Carolyn L. Cason and Gerald J. Cason, Co-Trustees of the Carolyn L. Cason Revocable Trust	1527	0844-0845	7/11/2000
Frank Cheatham and Kathleen Cheatham	1570	0898-0899	1/24/2001
Kibbie V. Cook and Terrell L. Cook	1517	0995-0996	5/30/2000
Eddie Daffern and Shari Daffern	1518	0012-0013	5/30/2000
Charlie Davis and Janie Davis	1517	0997-0998	5/30/2000
Mary Munk Granger	1527	0858-0859	7/11/2000
Leone Gruter	1570	0900-0901	1/24/2001
Anne Wise Horne	1680	0898-0899	2/14/2002
Howard W. Huebner and Clara Ann Katzer Huebner	1527	0855-0857	7/11/2000
Max Winston Jenkins marital Trust	1614	0108-0110	7/6/2001
Maria J Juarez, Hal Juarez, Carla Juarez Jasso, Cynthia Ann Juarez, Larry G. Juarez, Delfina Juarez San Miguel	2054	0950-0952	8/30/2004
Nobie Ellsworth Koepf and Sharon Ann Koepf Atzger	1570	0907-0909	1/21/2001
L & H Farms, Inc.	2059	527	9/10/2004
L & H Farms, Inc.	2059	528	9/10/2004
Robert G. Lowman, Sr.	2104	0285-0286	1/6/2005
Robert G. Lowman, Sr. Trust	2083	0176-0177	11/9/2004
C. T. McCrury and wife Ila C. McCrury, and William Clifton McCrury and wife, Patricia McCrury	1518	0009-0011	5/30/2000
Miles Muller and Suzanna Dana Muller	1614	0113-0114	7/6/2001
George Wesley Munk and Wilodeine Munk	1527	0849-0850	7/11/2000
Lloyd Nobles and wife, Charlotte E. Nobles	1518	0006-0008	5/30/2000
Macario Pequeno and Cresencia C. Pequeno	1527	0847-0848	7/11/2000
Bert L. Reinke	1614	0111-0112	7/6/2001
Isidro and Esperanza Silva	2157	0399-0400	5/19/2005
Roy G. Scudday and Linda R. Scudday	1851	0140-0142	6/3/2003
Arnulfo Silva and Irene V. Silva	2083	0173-0175	11/9/2004
Harley L. Speed and Priscilla Ann Speed	1518	0004-0005	5/30/2000
Staples Civic Club, Inc.	1570	0902-0904	1/24/2001
Staples United Methodist Church	2327	0446-0447	6/20/2006
Staples Untied Methodist Church	2327	0443-0445	6/20/2006
Lionor Torres	1570	0905-0906	1/24/2001
Mac D. Turner and Lucille V. Turner	1527	0851-0852	7/11/2000
Arthur Edward Villareal and Alexis Villareal	1570	0910-0911	1/24/2001
Dibrell Wayne Waldrip, Grace Waldrip, Darrell Scott Waldrip, David Andrew Waldrip, Molly Waldrip	1626	0441-0448	8/16/2001
Larry W. Waldrip	2059	0525-0526	9/10/2004
Dibrell Wayne Waldrip, Darrell Scott Waldrip and David Andrew Waldrip	1680	0900-0901	2/14/2002
Jeffrey W. Webb and Deborah A. Webb	1624	0629-0630	8/9/2001
DeAnn S. White and Larry R. White	2054	0948-0949	8/30/2004

STAPLES FARMERS CORPORATION  
DIRECT COPY  
County Clerk  
PAGE 10 OF 11

FILED this 3<sup>rd</sup> day of May 2011  
9:40 A M  
CAROL HOLCOMB  
COUNTY CLERK, CALDWELL COUNTY, TEXAS  
By Jessica Rodriguez Deputy

Any provisions herein which restrict the sale, rental or use of the described property because of color or race is invalid and unenforceable under Federal Law.  
STATE OF TEXAS  
COUNTY OF CALDWELL  
I hereby certify that this instrument was FILED in File Number Sequence on the date and time stamped hereon by me and was duly RECORDED in Official Public records of Real Property of Caldwell County Texas on

MAY 03 2011



*Carol Holcomb*  
COUNTY CLERK  
CALDWELL COUNTY, TEXAS

**Texas Commission on Environmental Quality**  
**Investigation Report**  
**STAPLES FARMERS CORP**  
**CN603550583**

**STAPLES FARMERS CORP**

**RN101453090**

Investigation # 878765

Incident #

Investigator: JAY JOBSON

Site Classification

GW 51-250 CONNECTION

Conducted: 11/30/2010 -- 11/30/2010

SIC Code: 4941

Program(s): PUBLIC WATER  
SYSTEM/SUPPLY

Investigation Type : Compliance Investigation

Location : FM 671 AND 1977 INTERSECTION

Additional ID(s) : 0940017

Address: ; ,

Activity Type : REGION 13 - SAN ANTONIO  
 PWSCCIGWCM - PWSCCOGWCM PWS CCI  
 Discretionary Groundwater, Purchase, Community

**Principal(s) :**

Role	Name
RESPONDENT	STAPLES FARMERS CORPORATION
RESPONDENT	STAPLES FARMERS CORP

**Contact(s) :**

Role	Title	Name	Phone
Regulated Entity Mail Contact	PRESIDENT	MR MARCUS ALLEN	
Participated in Investigation	TREASURER	MS PEGGY ANDERSON	
Participated in Investigation	GENERAL MANAGER	MR MARK L SPEED	
Regulated Entity Contact	TREASURER	MS PEGGY ANDERSON	
Notified	TREASURER	MS PEGGY ANDERSON	Home (512) 357-6472

**Other Staff Member(s) :**

Role	Name
QA Reviewer	JOY THURSTON-COOK
Supervisor	JOY THURSTON-COOK

**Associated Check List**

<u>Checklist Name</u>	<u>Unit Name</u>
PWS EMERGENCY POWER INITIATIVE	epi
PWS INVESTIGATION - EQUIPMENT MONITORING AND SAMPLING	equip
PWS STANDARD FIELD	standard

**Investigation Comments :**

INTRODUCTION: This investigation was conducted on November 30, 2010. The system serves the

COPY

STAPLES FARMERS CORP - STAFI

11/30/2010 Inv. # - 878766

Page 2 of 3

community of Staples and is located at the junction of FM 621 and FM 1977 in northeast Guadalupe County. Mr. Mac Allen is the President of the corporation. Ms. Peggy Anderson is the Treasurer and licensed operator. The time and date for the investigation were prearranged with Ms. Anderson. The investigation and exit interview were conducted with Ms. Anderson. The investigation consisted of a review of the system's records, inspection of the facilities and a check of the distribution system's pressure and free chlorine residual. No violations were noted during this investigation.

**GENERAL FACILITY AND PROCESS INFORMATION:** This is a community groundwater system serving 217 connections and a population of approximately 651 people. The system consists of the following:

One well, two submersible pumps, discharge to two ground storage tanks. Two service pumps take suction from the ground storage tanks and discharge to distribution through two pressure tanks. Gas chlorination is introduced prior to the ground storage tanks.

**BACKGROUND:** The previous investigation for this system was conducted on February 13, 2008.

**ADDITIONAL INFORMATION:** The sale of this system to Crystal Clear WSC is currently pending. Mr. Mark Speed, General Manager for Crystal Clear, was present for most of this investigation. Also, the designation of this system as groundwater under the influence of surface water is also pending.

**No Violations Associated to this Investigation**

Signed

  
Environmental Investigator

Date

12/30/2010

Signed

  
Supervisor

Date

12/31/2010



STAPLES FARMERS CORP - STAP1

11/20/2010 Inv. # - 878765

Page 3 of 3

Attachments: (In order of final report submittal)

Enforcement Action Request (EAR)

Letter to Facility (specify type) : GEN. COMPLIANCE

Investigation Report

Sample Analysis Results

Manifests

NOR

Maps, Plans, Sketches

Photographs

Correspondence from the facility

Other (specify) :

TNEY DATA

IWUB DATA

COPY OF FIELD NOTES

PWS - SYSTEM FLOW DIAGRAM

Name of System: STAPLES FARMERS CORPORATION

ID#: 0940017

Survey Date: 11/30/2010

Surveyed By: JAY DON JOBSON



**PUBLIC WATER SYSTEM DATA**

Name of System: Staples Farmers Corporation

CCN Number: 12435

PWS ID: 940017

Classification: Not Applicable

Type: Community

Region Number: 13

Interconnect with Other PWS:

No

Name of PWS I/C:

Type I/C:

Retail Service Connections: 217

Retail Meters: 246

Retail Population: 651

Wholesale Master Meters:

Wholesale Service Connections:

Wholesale Population:

Total Well Capacity: 480 GPM 0.691 MGD

Raw Capacity: GPM MGD

Total Elevated Storage: MG

Total Storage Capacity: 0.047 MG

Pressure Tank Capacity:

0.0053

Maximum Daily Usage:

0.094 MGD

Date:

08/23/2010

Average Daily Usage:

0.057 MGD

Time Period:

11/01/2009 to 10/31/2010

Wholesale Contract:

No

Maximum Purchase Rate :

No. of Samples Required:

1

No. of Samples Submitted:

1

No. of Raw Samples Required:

No. of Raw Samples Submitted:

Non-Comm Dates of Operation:

09/09/9999 to 09/09/9999

**WATER STORAGE TANKS**

Type	Capacity	Material	Location
HD	3,800 gal.	ST	Well site
HD	1,500 gal.	ST	Well site
GR	22,500 gal.	ST	
GF	24,000 gal.	ST	

**WATER SOURCES**

EP No.	Source Code	Owner's Des	Location	Status	Pump Type	Tst. GPM	Est. GPM	Tst/Est. Date
1	G0940017A 1		FM 1977, 1/2 mile E. of Staples	O	submersible	240		11/30/2010
1	G0940017A 2			O	submersible	240		11/30/2010

**SERVICE PUMPS**

Pump Number	Output	Location
1	250	Well site
2	250	Well site

**SYSTEM CAPACITIES**

Pressure Plane Number: 1      Name: Staples

System Capacities			Required	Provided
Well Production	0.6	GPM Conn X 217	Conn = 130	GPM 480
Elevated Pressure Storage	20	Gal/Conn X 217	Conn = 0.0043	MG 0.0053
Ground/Total Storage	200	Gal/Conn X 217	Conn = 0.043	MG 0.047
Service Pump Capacity	2	GPM/Conn X 217	Conn = 434	GPM 500
Service Pump Peaking Factor		MDD/1440 X	**	GPM

Tested PSI: 68    Tested CL2: 1.2    Free    Location: 9665 FM 621

11/18/2010  
4:10:02PM

Texas Commission on Environmental Quality  
Water System Data Sheet

WSDSR

PWS ID	PWS Name	Central Registry RN
0940017	STAPLES FARMERS CORP	RN101453090

Organization/Customer *	Central Registry CN
STAPLES FARMERS CORP	CN603550583
STAPLES FARMERS CORPORATION	CN601535958

\* Regulatory mail will be addressed to this organization / person

Responsible Official **		Title	
MAC C ALLEN		PRESIDENT	
Mailing Address:			
Street Address		C/O or Address Line 2	
City	State	Zip	
Business Phone	Other Phone	Other Phone Type	Email

\*\* Regulatory mail will be addressed to this person

**No PWS Primary Contact assigned to this PWS**

Emergency Contact Name ****	Emergency Phone	Emergency Email
PEGGY ANDERSON		

\*\*\*\* This contact information will be used only in the event of an emergency

Owner Type	Owner Type Options: AFFECTED COUNTIES, COUNTY, DISTRICT/AUTHORITY, EXEMPT, FEDERAL GOVERNMENT, INVESTOR, MUNICIPALITY, NATIVE AMERICAN, PRIVATE, SUBMETER \ ALLOCATION, STATE GOVERNMENT, NOT RETAIL PUBLIC UTILITIES, WATER SUPPLY CORPORATION, MISC/UNKNOWN
INVESTOR	

System Type	System Type Options: SB 361, COMMUNITY, COMMUNITY (NON-GOVERNMENT OWNED), TRANSIENT/NON-COMMUNITY, NON-PUBLIC, NON-TRANSIENT/NON-COMMUNITY
COMMUNITY	

Customer Class	Customer Category	Population Served	# of Connect	# of Meters	# I/C w/other PWS
RESIDENTIAL	RESIDENTIAL AREA	624	215	237	0

Total Product (MGD)	Average Daily Consump.	Total Storage (MG)	Elev. Storage (MG)	Booster Pump Cap. (MGD)	Aux.Prod.Cap. Max.Pur.Cap.(MGD)	Pressure Tank Cap.(MG)
<del>0.335</del>	<del>0.048</del>	0.047	0.000	0.720	0.000	0.00053

0.691 0.057

Activity Status	Deactivation Date	Reason
ACTIVE		

Operator Grade	Number
WATER GRADE D	1

Last Survey Date	Surveyor	Survey Type	Code	Region	County	Def. Score
02/13/2008	JAY DON JOBSON	SURVEY		13	GUADALUPE	0
11/12/2003	JAY DON JOBSON	SURVEY		13	GUADALUPE	0
01/11/2001	JAY DON JOBSON	SURVEY		13	GUADALUPE	4

11/30/2010 JAY DON JOBSON

0

(Entry Point)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	WUD Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
001	SP DISCHARGE / ANCIENT GRAVEL (A)	PLANT - FM 1977, 0.5 MI E OF STAPLES()	4390		No		No

Train: (Unnamed)

(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
	1	D	403	GASEOUS CHLORINATION(PRE)

(Active Sources)							
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM	
G0940017A	1 - FM 1977 / E OF STAPLES(A)	O	U	34	<del>200</del>	250	
Water Body		Segment Number		Surface Water Intake Type			
		(I)		240 - Pump #1 240 - Pump #2 Seller			
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	GPS Cert. No.			
29.783611	97.830833	478			Not a Purchased Source		

(Inactive/Offline Sources)  
(No inactive Sources associated with this EP/Plant)

Code Explanations
Monitoring Type Codes: (GW) GROUNDWATER, (GWP) GROUNDWATER - PURCHASED, (GUP) GROUNDWATER UNDER THE INFLUENCE - PURCHASED, (SWP) SURFACE WATER - PURCHASED, (GU) GROUNDWATER UNDER THE INFLUENCE OF SURFACE WATER, (N) NO SOURCES, (SW) SURFACE WATER
Activity Status Codes: (A) ACTIVE, (C) CCN CANCELLED, (D) DELETED/DISSOLVED, (G) SB 361, (I) INACTIVE, (M) MERGED/ANNEXED, (N) NON-PUBLIC, (P) PROPOSED, (U) UNKNOWN, (W) UTILITY WATER SYS XFER
Operational Status Codes: (C) CAPPED, (D) DEMAND, (E) EMERGENCY, (F) FORMER PWS SOURCE, (I) INACTIVE PWS SYSTEM, (N) NON-DRINKING WATER, (O) OPERATING, (P) PLUGGED, (T) TEST, (Y) PWS NOT ACTIVE AND NOT EXPECTED TO BE SO
Source Types: (G) GROUND WATER, (S) SURFACE WATER, (U) GROUND WATER UNDER THE INFLUENCE

- End of Report -

At the time of your query this data was the most current information available from our database, which is in real time. Every effort was made to retrieve it according to your query. Thank-you for using WUD.

Appendix K – CRWA Regional Water Supply Contracts for Lake  
Dunlap TP, Hays Caldwell TP and Wells Ranch TP



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REGIONAL WATER SUPPLY CONTRACT

---

December 10, 1992

---

between

CANYON REGIONAL WATER AUTHORITY

and

CRYSTAL CLEAR WATER SUPPLY CORPORATION,  
EAST CENTRAL WATER SUPPLY CORPORATION,  
GREEN VALLEY SPECIAL UTILITY DISTRICT, and  
SPRINGS HILL WATER SUPPLY CORPORATION

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## REGIONAL WATER SUPPLY CONTRACT

THIS REGIONAL WATER SUPPLY CONTRACT (this "Contract") dated as of the 10th day of December, 1992 (the "Contract Date") is between 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 CRYSTAL CLEAR WATER SUPPLY CORPORATION, EAST CENTRAL WATER SUPPLY CORPORATION, GREEN VALLEY SPECIAL UTILITY DISTRICT, and SPRINGS HILL WATER SUPPLY CORPORATION, each of which is a Texas water supply corporation organized pursuant to Texas Revised Civil Statutes Annotated Article 1434a, as amended, or a special utility district as provided for by the Texas Water Code (the "Original Participating Members", which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as "Participating Members").

### 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 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 Water 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") to acquire rights to purchase raw water in Canyon Lake in Comal County, Texas 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 intends to build, operate, and maintain a water treatment facility to be located at Lake Dunlap and certain related transmission lines (the "Project") for the purpose of receiving, treating, and transmitting the water purchased pursuant to the GBRA Contract; and

WHEREAS, to finance the costs of the acquisition, construction, and equipping of the Project, the Authority intends to issue its contract revenue bonds or other debt obligations (the "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 under the GBRA Contract 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 Bonds; 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 (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 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 of the Authority has directed that a portion of the raw water under the GBRA 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 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:

"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 Contract to be bound by the terms of this 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 Contract. \*

"Administrative and Planning Expenses" means the general overhead costs of operating the Authority, including, but not limited to, expenses of managing the Authority and the Project, which may be pursuant to a management agreement or such other arrangement as the Authority may approve from time to time. \*

"Annual Payment" means the amount of money to be paid to the Authority by each Participating Member during each Annual Payment Period as its proportionate 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 Contract is anticipated to be the period of October 1, 1992, through September 30, 1993.

"Annual Requirement" means 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 during an Annual Payment Period. \*\*

"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.

"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 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 such bonds, notes, or other obligations or to refund any such refunding bonds or other obligations.

"Contract" means this Regional Water Supply Contract, as initially executed and as it may be amended 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; 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, Administrative and Planning 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.

"Original Participating Members" means Crystal Clear Water Supply Corporation, East Central Water Supply Corporation, Green Valley Special Utility District, and Springs Hill Water Supply Corporation.

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

"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.

"Project" means the "Project" as defined in the Preamble of this Contract.

"State" means the State of Texas.

#### 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 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 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.

To the extent permitted by law, the Authority hereby warrants to each Participating Member that the Authority will not enter into water sales contracts with any retail or wholesale customers of such Participating Member without the Participating Member's consent.

#### 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.

To the extent permitted by law, each Participating Member hereby warrants to each other Participating Member that it will not enter into water sales contracts with any retail or wholesale customers of such Participating Member without such Participating Member's consent.

## 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 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.

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; 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.

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 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. Provided, however, any Participant shall have a right of first refusal with respect to such water or treatment capacity prior to any sale by the Authority to retail customers, if any, of the Authority or sales on a spot basis. To the extent the Authority is unable to supply all Participating Members with all of their allotted

treated water as set forth on Exhibit A, all Participating Members shall share such shortages in proportion to their allotments as set forth on Exhibit A.

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.

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 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 Authority. Approval to make wholesale sales of 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. Additionally, the Participating Members shall have the right and authority to sell treated water received from other sources on a wholesale basis or otherwise without any limitation imposed by this Contract or approval by the Authority.

Section 4.04. Other Contracts.

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 raw water covered by this Contract, except as permitted by Section 4.01.

Section 4.05. Quality.

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 Texas Water Commission or successor 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 system.

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. If requested, a Participating Member may witness such reading, calibration, and adjustment of meters. 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 and Backflow.

A. The Authority shall deliver treated water to the Point(s) 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 prevention device of AWWA-approved quality. Each Participating Member shall have the right to inspect the backflow prevention device at each of its Points of Delivery at such reasonable times at the Participating Member in its discretion may determine to be required.

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 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. The Annual Requirement includes a proportionate share of the payments made by the Authority under the GBRA Contract at the initial rate of \$53.03 per acre foot of water purchased by the Authority under the GBRA Contract, as such rate may be adjusted from time to time as provided in the GBRA 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, in part based upon the water rate escalator provisions contained in the GBRA Contract. Each such Annual Requirement shall be allocated among the Participating Members and the Authority 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 of the Project; and
- B. an amount to fund within a reasonable period not to exceed 24 months a special reserve for the Operation and Maintenance

Expenses of the Project 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 of the Project (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.

In making the above calculations, the Authority shall credit a particular Participating Member with the value of raw water delivered to the Authority by such Participating Member for treatment at the Project.

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. The annual budget for the Project for the Annual Payment Period during Fiscal Year 1992-93 has been prepared and adopted by the Authority based on estimates made by the Authority. Each Participating Member has been 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 about August 15 of each year thereafter commencing August 15, 1993, 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 1993-94, 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 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 notifying 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.

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 Contract (whether or not the Participating Members elect to receive such water), each Participating Member agrees to pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement. Each Participating Member shall pay its part of the Annual Requirement for each Annual Payment Period directly to the Authority, in monthly installments according to 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 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 Participating Member 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 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 the date 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. It is further provided and agreed that if any Participating Member remains 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. 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 pro rata share of the total cost of the Project and the Bonds in the proportion that each Participating Member's right to available water specified in Exhibit A bears to the total amount of treated water available for all Participating Members specified in Exhibit A. 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 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 proportionate 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.

#### 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, subject to the terms of the GBRA Contract.

## ARTICLE VI

### Additional Participating Members

#### Section 6.01. Additional Participating Members.

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, satisfactory to the Authority, setting forth the Point(s) of Delivery for such entity;
- 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 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, 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 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. 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 water system revenues, or from any other lawful source, including ad valorem taxes, if available to such Participating Member.

Section 7.06. Operating Expenses.

Each Participating Member represents and covenants that, to the extent payments under this Contract are made with water system revenues, such payments shall constitute reasonable and necessary "operating expenses" of its combined

waterworks and sewer system, as defined in Texas Revised Civil Statutes Annotated Article 1113, as amended. All such payments will be made from the revenues of its waterworks or combined waterworks and sewer 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 water system and that the Project represents long-term source of supply of treated water to meet current and projected water needs of the Participating Member's water 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 respective system as described above. 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 deducting maintenance and operating expenses.

Section 7.07. Rates for Water.

Each Participating Member agrees throughout the term of this Contract to continuously operate and maintain its waterworks system and to fix and collect such rates and charges for water 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 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. This includes 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, 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. 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 practical, 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, are allocable to the Project, shall constitute an Operation and Maintenance Expense of the Project.

Section 7.11. 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.

Section 7.12. Representation.

Each Participating Member shall be authorized to designate two (2) representatives (or such other number as may be determined by the Authority from time to time) to serve as voting members of the Authority's Board and one (1) representative to serve as a voting member of the Authority's Board of Managers. The Authority shall provide timely written notice of all meetings of the Board and the Board of Managers to the each Participating Member's appropriate designated representatives. The Participating Members' designated representatives shall receive copies of all materials and information provided to other members of the Board and the Board of Managers, as the case may be, relating to the administration and management of the Authority, existing and proposed programs of the Authority, and other matters considered by the Board and the Board of Managers, as the case may be.

## ARTICLE VIII

### Miscellaneous

#### Section 8.01. Force Majeure.

If by reason of force majeure a Participating Member 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 the Authority within a reasonable time after occurrence of the event or cause relied on, the obligation of the Participating Member 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 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 8.02. 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 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 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 8.03. 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. 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 8.04. 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 8.05. 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  
Route 2, Box 654W  
New Braunfels, Texas 78130-9579

B. If to Crystal Clear Water Supply Corporation, to:

Crystal Clear Water Supply Corporation  
Route 1, Box 49W  
San Marcos, Texas 78666

C. If to East Central Water Supply Corporation, to:

East Central Water Supply Corporation  
P.O. Box 570  
Adkins, Texas 78101

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

Green Valley Special Utility District  
P.O. Box 188  
Marion, Texas 78124

E. If to Spring Hills Water Supply Corporation, to:

Spring Hills Water Supply Corporation  
P.O. Box 29  
Seguin, Texas 78156-0029

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 8.06. 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 8.07. 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 8.08. 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 8.09. 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 8.10. 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 assigning this Contract to FmHA in connection with, and as security for, any loan to the Authority by FmHA, or from taking any other 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 8.11. 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 8.12. 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 8.13. 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.

*[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: Melvin E. Strey  
Melvin Strey, Chairman  
Board of Trustees

ATTEST:

Danny Williams  
Danny Williams, Secretary  
Board of Trustees


(AUTHORITY SEAL)

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.

SPRING HILL WATER SUPPLY CORPORATION

By:   
D.B. Willard, President  
Board of Directors

ATTEST:

  
Charles Mueller, Secretary  
Board of Directors

(CORPORATION SEAL)



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.

CRYSTAL CLEAR WATER SUPPLY CORPORATION

By: Richard Hanz  
Richard Hanz, President  
Board of Directors

ATTEST:

Woodrow Glenewinkle  
Woodrow Glenewinkle, Secretary  
Board of Directors

(CORPORATION SEAL)

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.

EAST CENTRAL WATER SUPPLY CORPORATION

By: Melvin E. Strey  
Melvin Strey, President  
Board of Directors

ATTEST:

Donald Speer  
Donald Speer, Secretary  
Board of Directors


(CORPORATION SEAL)

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.

GREEN VALLEY SPECIAL UTILITY DISTRICT

By:   
Harold Tschirhart, President  
Board of Directors

ATTEST:

  
\_\_\_\_\_  
Jim Arnst, Secretary  
Board of Directors

(DISTRICT SEAL)

Exhibit A

Allocations

<u>Participating Members</u>	<u>Amount of Water*</u>
Crystal Clear Water Supply Corporation	100 acre feet**
East Central Water Supply Corporation	300 acre feet
Green Valley Special Utility District	725 acre feet
Springs Hill Water Supply Corporation	<u>725 acre feet</u>
	1,850 acre feet**

\* Annually per Fiscal Year

\*\* 100 acre feet is from contract between Crystal Clear Water Supply Corporation and GBRA; the Authority has 1,750 acre feet of raw water

Exhibit B

Points of Delivery

Crystal Clear Water Supply Corporation

Intersection of State Highway 123 and Farm to Market Road 758

East Central Water Supply Corporation

Linnie Road and the East Central Water Supply Corporation and Green Valley Special Utility District service area boundary line

Green Valley Special Utility District

Canyon Regional Water Authority Treatment Plant, Lake Dunlap

Springs Hill Water Supply Corporation

Intersection of State Highway 46 and County Road 130



Exhibit C

Special Provisions

**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.

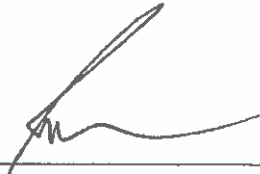
Section 3: This Amendment may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

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 Henry*

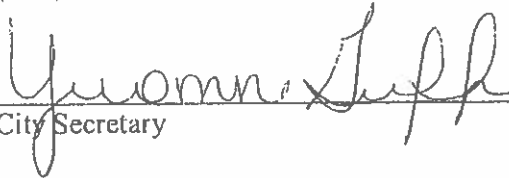
\_\_\_\_\_  
Secretary

CITY OF CIBOLO, TEXAS



\_\_\_\_\_  
Mayor


(Seal)




\_\_\_\_\_  
City Secretary



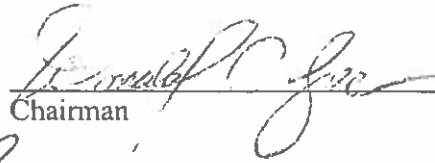
CITY OF MARION, TEXAS

  
\_\_\_\_\_  
Mayor

(Seal)

  
\_\_\_\_\_  
City Secretary

CANYON REGIONAL WATER AUTHORITY

  
Chairman

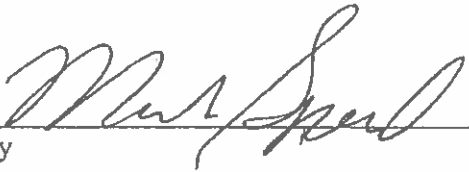
  
Secretary

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
<b>Dunlap Exempt</b>					
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
<b>Dunlap Exempt Totals</b>	<b>7,130.00</b>	<b>64.94%</b>	<b>6,365,254</b>	<b>8,274,830</b>	<b>9,870,310</b>
<b>Dunlap Taxable</b>					
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
<b>Dunlap Taxable Totals</b>	<b>3,850.00</b>	<b>35.06%</b>	<b>3,437,058</b>	<b>4,468,176</b>	<b>5,329,690</b>
<b>Dunlap Totals</b>	<b>10,980.00</b>	<b>100.00%</b>	<b>9,802,312</b>	<b>12,743,006</b>	<b>15,200,000</b>

**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
<b>Dunlap Exempt</b>					
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
<b>Dunlap Exempt Totals</b>	<b>5,575</b>	<b>79.93%</b>	<b>4,977,039</b>	<b>6,470,151</b>	<b>8,056,774</b>
<b>Dunlap Taxable</b>					
Crystal Clear	-	0.00%	-	-	-
East Central	1,400	20.07%	1,249,839	1,624,791	2,023,226
Springs Hill	-	0.00%	-	-	-
<b>Dunlap Taxable Totals</b>	<b>1,400</b>	<b>20.07%</b>	<b>1,249,839</b>	<b>1,624,791</b>	<b>2,023,226</b>
<b>Dunlap Totals</b>	<b>6,975</b>	<b>100.00%</b>	<b>6,226,879</b>	<b>8,094,942</b>	<b>10,080,000</b>

**WAGNER BOOSTER STATION TO LOOP 1604**

<b>Item</b>	<b>Pipeline Capacity in Acre-Feet</b>	<b>Percent of Ownership</b>	<b>Contract Capacity in GPD</b>	<b>1.3 Peak Capacity in GPD</b>	<b>Ownership 15,120,000 GPD</b>
<b>Dunlap Exempt</b>					
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
<b>Dunlap Exempt Totals</b>	<b>5,575</b>	<b>79.93%</b>	<b>4,977,039</b>	<b>6,470,151</b>	<b>12,085,161</b>
<b>Dunlap Taxable</b>					
Crystal Clear	-	0.00%	-	-	-
East Central	1,400	20.07%	1,249,839	1,624,791	3,034,839
Springs Hill	-	0.00%	-	-	-
<b>Dunlap Taxable Totals</b>	<b>1,400</b>	<b>20.07%</b>	<b>1,249,839</b>	<b>1,624,791</b>	<b>3,034,839</b>
<b>Dunlap Totals</b>	<b>6,975</b>	<b>100.00%</b>	<b>6,226,879</b>	<b>8,094,942</b>	<b>15,120,000</b>

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
<b>Dunlap Exempt</b>					
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
<b>Dunlap Exempt Totals</b>	<b>5,575</b>	<b>79.93%</b>	<b>4,977,039</b>	<b>6,470,151</b>	<b>8,056,774</b>
<b>Dunlap Taxable</b>					
Crystal Clear	-	0.00%	-	-	-
East Central	1,400	20.07%	1,249,839	1,624,791	2,023,226
Springs Hill	-	0.00%	-	-	-
<b>Dunlap Taxable Totals</b>	<b>1,400</b>	<b>20.07%</b>	<b>1,249,839</b>	<b>1,624,791</b>	<b>2,023,226</b>
<b>Dunlap Totals</b>	<b>6,975</b>	<b>100.00%</b>	<b>6,226,879</b>	<b>8,094,942</b>	<b>10,080,000</b>



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

*Thomas W. Doherty*

\_\_\_\_\_  
President

(Corporation Seal)

*Ron J. Jansky*

\_\_\_\_\_  
Secretary


MAXWELL WATER SUPPLY CORPORATION

Jesse Shantz  
President

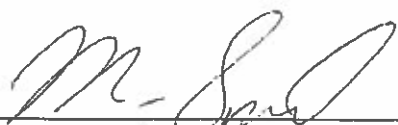
(Corporation Seal)

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

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.



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)

Shana E. D. Daviel  
Secretary

CRYSTAL CLEARWATER SUPPLY CORPORATION

Richard A. Hanz  
President

(Corporation Seal)

W.L. Blenewinkel  
Secretary/Treasurer


MARTINDALE WATER SUPPLY CORPORATION

*Therese Dally*  
\_\_\_\_\_  
President

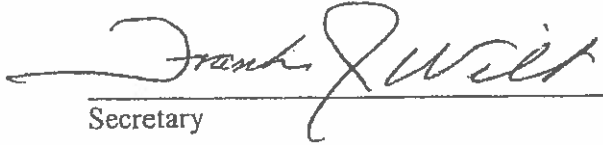
(Corporation Seal)

*Rae Josuy*  
\_\_\_\_\_  
Secretary

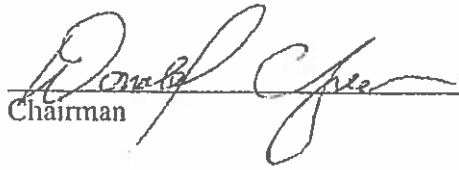
MAXWELL WATER SUPPLY CORPORATION

  
\_\_\_\_\_  
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**

<b>Item</b>	<b>Plant Capacity in A/F</b>	<b>Percent of Ownership</b>	<b>Contract Capacity in GPD</b>	<b>1.3 Peak Capacity in GPD</b>	<b>Ownership of 5,500,000 GPD</b>
<b>Hays Caldwell</b>					
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
<b>Hays Caldwell Totals</b>	<b>2,908.00</b>	<b>100.00%</b>	<b>2,596,095</b>	<b>3,374,924</b>	<b>5,500,000</b>