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April 8, 2010

VIA E-MAIL

Mr. Jerry Kyle
Andrews Kurth LLP
111 Congress Avenue
Suite 1700
Austin, Texas 78701

RE: Chapter 381 Economic Development Agreement between Bastrop County, Texas and Central Texas Airport, LLC

Dear Jerry:

I have visited with representatives of Bastrop County (the "County") regarding your letter of March 29, 2010 related to my letter of March 23, 2010 setting forth certain items that the County had determined were non-negotiable. There are certain items that the County has asked me to have clarified with respect to which CTA appears to have not acceded the County's terms.

1. In paragraph 2 of your letter, you indicate that CTA has agreed that mandamus will not be expressly identified as a remedy under the 381 Agreement. However, you did not address the County's other requirement in Paragraph No. 2 of the County's Non-negotiable Terms that the revisions Patrick Lindner submitted for Section 7(d) of the 381 Agreement be deleted and returned to the County's original language. Please advise me of CTA's position on this so that I may review it with the County.
2. As we stated in Paragraph No. 4 of the County's list of Non-negotiable Terms, the County objected to the proposed revision of the proposed 381 Agreement by Central Texas Airport, LLC (the "CTA") that would limit the duration of the airport restrictive covenant so that it would be effective only so long as the 381 Agreement is in effect. Your letter indicates that CTA believes that the restrictive covenant should be lifted if the County fails to appropriate moneys to pay the grants under the Agreement so that CTA can then maximize the value of its investment and minimize the losses resulting from termination of the Agreement. The County is not able to agree to this change as the lifting of the restrictive covenant in such a situation would allow CTA to seek to develop the airport without restriction,

including a full service commercial airport. The County is considering CTA's request for a 381 Agreement only with the restrictive covenant included in the County's draft and with the understanding that the airport will never become a full service commercial airport. Please provide me with CTA's position on this so that I may review it with the County.

3. In Paragraph 6 of the list of Non-negotiable Terms, the County objected to CTA's deletion of Section 14 of the proposed 381 Agreement providing for the County's indemnification by CTA. The County also objected to CTA's insertion of a new Section 14 that provided for notice of default to, and cure and assumption by, certain "Interested Parties," creation of an unspecified district, and freezing of subdivision plat regulations. Your letter indicates that CTA agrees to reinsert the County's indemnification provision, but requests that the County expressly acknowledge and affirm that it enjoys governmental immunity. While this should not seem objectionable, it must also be noted that there is no indication that CTA has agreed to delete its proposed new Section 14. Please confirm that CTA agrees that the new Section 14 will be deleted.

Additionally, the County has requested clarification regarding the following two items as it determines whether to continue negotiations:

1. Your letter seems to suggest that CTA has agreed to the County's requirement in Paragraph No. 1 of the Non-negotiable Terms which provides that the territory included in the "Property" of the Agreement cannot be modified without the County's consent. However, your letter states that modifications "will be effected only upon receipt of the County's consent." The County would need to clarify that CTA is actually accepting the County's terms on this item.
2. Your letter indicates that CTA agrees with Paragraph 6 of the County's Non-negotiable Terms that the County cannot be obligated to adopt airport zoning regulations merely at CTA's request. However, your letter submits additional revisions in lieu of those in its prior draft of the 381 Agreement submitted by Mr. Lindner relating to the airport zoning costs that CTA will be responsible for and the timing of such payments. It appears that the additional revisions requested by CTA are economic terms that should be negotiated together with other economic terms of the Agreement if the County decides to proceed with negotiation. If you want your language to be considered at this time, please advise and send me a draft of your proposed language for the Section 9(f) of the proposed 381 Agreement so that I may submit it to the County for consideration.

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While we appreciate CTA's acceptance that any modification of the territory included within the Property described in Exhibit "A" to the 381 Agreement will only be effected upon consent by the County, the County still has not seen a description of the property. The County will want to have this description and evidence that CTA has all of the requisite property under contract or option before it continues with negotiations to ensure that the airport can be built if the County is to enter into the 381 Agreement.

Mr. James Carpenter recently sent an email to Commissioner Lee Dildy asking him to review and comment on some sample questions. I have advised Commissioner Dildy that it would be inappropriate to comment at this time as the County does not have sufficient information to enable Commissioner Dildy to make an informed decision on some of the items. Commissioner Dildy has publicly stated his support for the project, to comment on the specific questions and proposed answers at this time would be inappropriate.

Very truly yours,



Thomas M. Pollan

cc: Honorable Ronnie McDonald
Honorable Lee Dildy
Ms. Lisa Smith
Mr. Ronnie Moore