



Control Number: 42940



Item Number: 26

Addendum StartPage: 0

B & D ENVIRONMENTAL, INC.

P.O. BOX 500264

AUSTIN, TEXAS 78750

PHONE NO: (512) 264-9124

FAX NO: (512) 692-1967

EMAIL: bretfenner@yahoo.com

April 29, 2015

Public Utility Commission
Central Records
1701 N. Congress P.O. Box 13326
Austin, Texas 78711-3326
Docket No. 42940

Re: Application of North Orange Water and Sewer, LLC d.b.a. Country Squire Water and Sewer System (Country Squire) for A Water and Sewer Rate/Tariff Change (37820-R)

Dear Docket Clerk:

Enclosed please find the following information requested:

1. A copy of Country Squires depreciation schedule in Excel format.
2. Copies of Country Squire's loans listed in the application.

Should you have any further questions concerning this application, please do not hesitate to contact me at (512) 264-9124.

Sincerely,



Bret W. Fenner, P.E.
B & D Environmental, Inc.

Enclosures

2015 APR 29 PM 1:08
PUBLIC UTILITY COMMISSION
FILING CLERK

210



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References in the boxes above are for Lender's use only and do not constitute the approval of this document in any particular loan or item.
Any item above containing ***** has been omitted due to text length limitations.

London:

Compass Bank
TX2 ORANGE MAIN COMMUNITY BANKING
401 N 16TH SUITE 200
ORANGE, TX 77630
4098830118

Date of Note: November 10, 2008

CHOICE OF VEBUY CEILING AND INTEREST RATE. The interest rate on this Note has been implemented under the "Weekly Ceiling" as referred to in Sections 303.002 and 303.003 of the Texas Finance Code. The terms, including the rate, or index, formula, or provision of law used to compute the rate on this Note, will be subject to revision as to current and future balances, from time to time by notice from Lender in compliance with Section 303.103 of the Texas Finance Code.

[illegible]

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an index which is the Composite Bank Prime Rate, a reference rate established by Lender and its agents in increase or decrease at Lender's discretion ("the Index"). The Index is not necessarily the lowest charged by Lender on other loans and is not by Lender in its sole discretion. If the Index increases unavailability during the term of this loan, Lender may designate a substitute source for the Index. In such event, Lender will give Borrower the current Index rate upon Borrower's request. This interest rate change will not cause more than a de minimis effect on the monthly payments due by Borrower. The Index rate used for purposes of this Note will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph under "Rate".

The maximum prime rate over the Index, adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an index rate of 6.00% per annum on a year of 360 days. NOTE: Under no circumstances will the interest rate on this Note be less than the maximum rate allowed by applicable law. For purposes of this Note, the phrase "maximum rate shown below the lesser of 18.00% per annum or 6.00% per annum or more than [specify] percent" means the "maximum rate permitted under federal or other law applicable to the instrument evidenced by this Note, or (6) the 'Weekly Ceiling' as referred to in Sections 303.02 and 303.03 of the Texas Finance Code."

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 360/360 basis; that is, by applying the rate of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, unless such calculation would result in a number less, in which case interest shall be calculated on a per diem basis on a year of 365 or 366 days, as the case may be. All interest payable under this Note is computed using this method. This calculation method results in a higher effective interest rate than the nominal interest rate stated in this Note.

PAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Payments in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under the Note or other agreements with Lender pertaining to this loan, and in no event will Borrower need be required to pay any unearned interest. Early payments will not be credited to pay lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of agreed unpaid interest. Rather, early payments will be applied to the principal balance due. Borrower agrees not to tender and Lender accepts marked "paid in full," "without recourse," or similar language. If Borrower tends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount due under the Note. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Compass Bank, 742 ORANGE MAIN COMMUNITY BANKING, 601 N 10TH STS 200, ORANGE, TX 77630.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.00% of the regularly scheduled payment.

POST MATURITY RATE. The Post Maturity Rate on this Note is the lesser of (A) the maximum rate allowed by law or (B) 12.000% per annum based on a year of 360 days. Borrower will pay interest on all sums due after final maturity, whether by acceleration or otherwise, at this rate.

DEFAULT. Even if the following shall constitute an event of default ("Event of Default") under the Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Claims in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or persons that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

Folio Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Incapacity. The dissolution of Borrower regardless of whether member to continue to model, any member withdraws from Borrower, or any other termination of Borrower's existence as a going business or the death of any member, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Foreclosure Proceedings. Commencement of foreclosures or foreclosure proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including direct deposits, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or foreclosure proceeding and if Borrower gives Lender written notice of the creditor or foreclosure proceeding and deposits with Lender monies or a surety bond for the creditor or foreclosure proceeding, in an amount determined by Lender, in its sole discretion, to being an adequate reserve or bond for the claims.

Events Affecting Guarantees. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disavows the validity of, or liability under, any guaranty of the indebtedness evidenced by the Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes its prospect of payment is

Loan No. 50194733

**PROMISSORY NOTE
(Continued)**

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DEFINITION OF THIS NOTE IS IMPLIED

Investment. Lender in good faith believes itself unsecured.

CURE PROVISIONS. If any default, other than a default in payment is curable, it may be cured if Borrower, after receiving written notice from lender demanding cure of such default, (1) cures the default within twenty (20) days; or (2) if the cure requires more than twenty (20) days, immediately notifies lender in writing of the default and the steps being taken to cure the default and the lender continues and completes its reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire indebtedness, including the unpaid principal balance under this Note, as due and demand, and all other amounts due and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

ATTORNEY'S FEES/EXPENSES. Lender may hire an attorney to help collect this Note if Borrower does not pay any amount due to Lender. A reasonable attorney's fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing proceedings, including to any public office any instrument securing this Note, the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security, and fees for making a lien on a title certificate or certificate of title to any motor vehicle offered as security for this Note, or proceeds or reasonable charges received in connection with the sale of such security.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Texas.

DISHONORED CHECK CHARGE. Borrower will pay a processing fee of \$10.00 if any check given by Borrower to Lender as a payment on this Note is dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether existing or future, or with other accounts). This includes all accounts Borrower now jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or 401(k) accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, in the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

COLLATERAL. Borrower acknowledges this Note is secured by the following collateral described in the security instrument filed herein: inventory, accounts and equipment described in a Commercial Security Agreement dated November 19, 2008.

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note, as well as payments from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums under (A) advances in accordance with the instructions of an authorized person or (B) payments to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be increased by advances on this Note or by Lender's internal records. Lender will have no obligation to advance funds under this Note if (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note, (B) Borrower or any guarantor ceases doing business or is insolvent, (C) any guarantor waives, claims or otherwise attempts to drill, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender, (D) Borrower has applied funds pursuant to this Note for purposes other than those authorized by Lender, or (E) Lender in good faith believes itself unsecured. This revolving line of credit shall not be subject to DR. 246 of the Texas Finance Code.

AMENDMENTS. This Note supersedes the entire understanding and agreements of the parties as to the matters set forth in this Note. No alteration or amendment of this Note shall be effective unless given in writing and signed by the party or parties sought to be bound by the alteration or amendment.

SEVERABILITY. If a court of competent jurisdiction finds any provision of this Note to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the remaining provisions illegal, invalid, or unenforceable as to any other circumstances. If possible, the offending provision shall be amended so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Note. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Note shall not affect the legality, validity or enforceability of any other provision of this Note.

ADDITIONAL PROVISIONS. Notwithstanding any other provisions of this Note to the contrary, (a) Lender's Remedies. Lender also may exercise any and all remedies available to it. Lender's rights are cumulative and may be exercised together, separately, and in any order. (b) Assignment. Borrower agrees not to assign any of Borrower's rights or obligations under this Note. (c) Prepayment. The terms "prepayment" and "early payment" mean any payment that exceeds the combined amount of interest, principal due, and charges due as of the date Lender receives that payment. The amount of this advance will be applied to the outstanding principal balance of this loan. Borrower agrees that if Borrower makes any early payment, collection costs or other amounts under this Note or any related documents, Borrower's final payment under this Note will include all of these amounts, as well as all unpaid principal and accrued interest. (d) Loan Fees. Borrower agrees that all loan fees and other prepaid finance charges are fully earned as of the date of the loan and will not be subject to refund upon early payment (whether regular or at a time of default).

ADDITIONAL EVENTS OF DEFAULT. Notwithstanding any other provisions herein to the contrary, each of the following also shall be an Event of Default hereunder:

- (i) if the Borrower or any Lender (i) changes in the ownership of twenty-five percent (25%) or more of the membership interests in Borrower, or
- (ii) Any material adverse change in the financial condition of any guarantor.

BUSINESS PURPOSE. The Borrower agrees to use the proceeds of this Note or Credit Agreement solely for business purposes and not any personal, family or household purpose.

JURISDICTION. Any legal action or proceeding brought by Lender or Borrower against the other arising out of or relating to the loan evidenced by this instrument (a "Proceeding") shall be instituted in the federal court for or the state court sitting in the county where Lender's office that made this loan is located. With respect to any Proceeding against Borrower, to the fullest extent permitted by law, (i) waives any objections that Borrower may have to the venue and/or forum non conveniens of any Proceeding in such court and (ii) irrevocably submits to the jurisdiction of any such court in any Proceeding. Notwithstanding anything to the contrary herein, Lender may commence legal proceedings or otherwise proceed against Borrower in any other jurisdiction if determined by Lender to be necessary in order to fully enforce or exercise any right or remedy of Lender relating to this loan, including without limitation, foreclosure upon collateral that secures this loan.

OTHER COLLATERAL. Collateral securing other loans with Lender may also secure this loan. To the extent collateral previously has been given to Lender by any person which may secure this loan, whether directly or indirectly, it is specifically agreed that, to the extent permitted by law, all such collateral securing of household goods will not secure this loan. In addition, if any collateral requires the giving of a right of redemption under Texas law for this loan, such collateral also will not secure this loan unless and until all required notices of that right have been given.

CHANGE IN INITIAL INTEREST RATE. If this Note evidences an extension of credit with a variable rate and an initial interest rate is stated, the initial rate stated on this Note when it is signed may differ from the actual rate due to changes in the index before closing.

CONSTRUCTION OF DOCUMENTS. In the event of any conflict within the provisions of this Note or between this Note and any other document referred to or executed in connection with this Note, and notwithstanding any other provision to the contrary in any of the foregoing, the provisions hereof shall prevail. The parties hereto agree and acknowledge this rule of construction permitting or resolving any doubt or ambiguity to be resolved against the drafting party shall be employed in the interpretation of this Note or any of the other documents referred to or executed in connection with this Note.

ERRORS AND OMISSIONS. I agree that if deemed necessary by Lender or any agent closing the loan evidenced by this Note ("the Loan"), either or the agent may correct and adjust this Note and any other documents executed in connection with the Loan ("Related Documents") as may be needed, all if I was making the correction or adjustment, in order to correct clerical errors. A clerical error is information in a document that is missing or that does not reflect accurately my agreement with Lender at the time the document was executed. If any such clerical errors are material changes, I agree to fully cooperate in correcting such errors within 30 days of the date of mailing by Lender of a request to do that. Any change in the documents after they are signed to reflect a change in the agreement of the parties is an "alteration" or "amendment," which must be in writing and signed by the party who will be bound by the change.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall bind to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or

Loan No: 90194738

PROMISSORY NOTE
(Continued)

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made to pay and Lender shall agree to contract for: charge, collect, take, receive or receive (collectively referred to herein as "charge or collect") any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including charge or collect by foreclosure or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, as included in Rule 601b. The right to accelerate maturity of sums due under this Note does not include the right to accelerate any interest when the not otherwise accrued on the date of such acceleration and Lender does not intend to charge or collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the loan evidenced by this Note until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waives presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Note, and notice of acceleration of the maturity of this Note. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or change repeatedly and for any length of time this loan or renew any party or guarantor or endorser or transfer, take to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE

BORROWER

NORTH ORANGE WATER AND SEWER, LLC

BY: BARRY MANHARA
BARRY MANHARA, PRESIDENT OF NORTH
ORANGE WATER AND SEWER, LLC
BY: Carrie Vincent
CARRIE VINCENT, SECRETARY OF NORTH
ORANGE WATER AND SEWER, LLC

BY: Michael Manhara
MICHAEL MANHARA, VICE PRESIDENT OF NORTH
ORANGE WATER AND SEWER, LLC



02100000000000501947360A150955

CHANGE IN TERMS AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Cos	Account	Officer	Initials
\$72,678.70	11-08-2010	11-08-2015	50194735	04A1 / N/A		181.11	

References to the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower NORTH ORANGE WATER AND SEWER LLC
10404 N HWY 87 SUITE 102
ORANGE TX 77632

Lender Compass Bank
TX2 PORT NECHES COMMUNITY BANKING
2927 NALL ST
PORT NECHES, TX 77651
4097212015

Principal Amount: \$72,678.70

Date of Agreement: November 8, 2010

DESCRIPTION OF EXISTING INDEBTEDNESS. The indebtedness evidenced by the note, credit agreement or other instrument from Borrower in favor of Lender dated NOVEMBER 10, 2008 in the original principal amount of \$85,000.00 (the "Note").

DESCRIPTION OF COLLATERAL. The collateral described in such security agreement, mortgage, deed of trust, pledge agreement or other document that currently secures the Note shall continue to secure the Note as modified by this Change in Terms Agreement and any and all previous and future renewals of, amendments of, continuances of, consolidations of, and substitutions for the Note.

DESCRIPTION OF CHANGE IN TERMS. The Note is modified as provided in this Change in Terms Agreement. The payments required under the Note shall be those shown in the PAYMENT section below. Following any advance required by this Change in Terms Agreement and notwithstanding any provision of the Note to the contrary, Lender no longer shall have any obligation to make any additional advances or otherwise extend or vary additional credit under the Note. The variable interest rate provided in the Note is modified to be a fixed interest rate of 5.260% per annum. The maturity date of the Note is extended as provided in the PAYMENT section below.

PROMISE TO PAY. NORTH ORANGE WATER AND SEWER, LLC ("Borrower") promises to pay to Compass Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of Seventy-two Thousand Six Hundred Seventy-eight & 70/100 Dollars (\$72,678.70), together with interest on the unpaid principal balance from November 8, 2010, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 5.260% per annum based on a year of 360 days, until maturity. The interest rate may change under the terms and conditions of the "POST MATURITY RATE" section.

PAYMENT. Borrower will pay this loan in 60 payments of \$1,415.88 each payment. Borrower's first payment is due December 8, 2010, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on November 8, 2015, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs, and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this loan is computed on a 365/360 basis; that is, by applying the rate of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, unless such calculation would result in a variable rate, in which case interest shall be calculated on a per diem basis of a year of 365 or 366 days, as the case may be. All interest payable under this loan is computed using this method. This calculation method results in a higher effective interest rate than the numeric interest rate stated in the loan documents.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Prepayment in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under this Agreement or any other agreement with Lender pertaining to this loan, and in no event will Borrower ever be required to pay any unearned interest. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Agreement, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or no full satisfaction of a disputed amount must be mailed or delivered to: Compass Bank, TX2 PORT NECHES COMMUNITY BANKING, 2927 NALL ST, PORT NECHES, TX 77651.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

POST MATURITY RATE. The Post Maturity Rate on this loan is the lesser of: (A) the maximum rate allowed by law or (B) 18.000% per annum based on a year of 360 days. Borrower will pay interest on all sums due after final maturity, whether by acceleration or otherwise, at that rate.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the indebtedness.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Any guarantor or Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of any guarantor's or Borrower's property or ability to perform their respective obligations under this Agreement or any of the Related Documents.

Fraud Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or an Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The dissolution of Borrower regardless of whether election to continue is made, any member withdraws from Borrower, or any other termination of Borrower's existence as a going business or the death of any member, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Foreclosure Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the indebtedness. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default, (1) cures the default within twenty (20) days; or (2) if the cure requires more than twenty (20) days, immediately initiates steps which Lender deems at Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire indebtedness, including the unpaid principal balance under this Agreement, all accrued unpaid interest, and all other amounts, costs and expenses for which Borrower is responsible under this Agreement or any other

CHANGE IN TERMS AGREEMENT (Continued)

Loan No: 50194736

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agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

ATTORNEYS' FEES/EXPENSES: Lender may hire an attorney to help collect this Agreement if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing, recording, releasing to any public office any instrument executing this Agreement; the reasonable cost actually expended for reasonably obtaining, preparing for sale and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for this Agreement; or premiums or identifiable charges received in connection with the sale of authorized insurance.

JURY WAIVER: Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW: This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Texas.

DISHONORED CHECK CHARGE: Borrower will pay a processing fee of \$10.00 if any check given by Borrower to Lender as a payment on this loan is dishonored.

RIGHT OF SETOFF: To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or other) other accounts. This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent authorized by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

COLLATERAL: Collateral securing other loans with Lender may also secure this loan. To the extent collateral previously has been given to Lender by any person which may secure this indebtedness, whether directly or indirectly, it is specifically agreed that to the extent prohibited by law, all such collateral consisting of household goods will not secure this indebtedness. In addition, if any collateral requires the giving of a right of redemption under Texas law for this indebtedness, such collateral also will not secure this indebtedness unless and until all required notices of that right have been given.

CONTINUING VALIDITY: Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements, amendments or security documents, remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligation(s). It is the intention of Lender to retain as liable parties all makers and endorser(s) of the original obligation(s), including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement. If new person who signed the original obligation does not sign this Agreement before, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representations to Lender that the non-signing party consents to the changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

JURISDICTION: Any legal action or proceeding brought by Lender or Borrower against the other arising out of or relating to the loan evidenced by this instrument (a "Proceeding") shall be instituted in the federal court for or the state court sitting in the county where Lender's office that made this loan is located. With respect to any Proceeding, each Borrower, to the fullest extent permitted by law: (i) waives any objections that Borrower may now or hereafter have based on venue and/or forum non conveniens of any Proceeding in such court; and (ii) irrevocably submits to the jurisdiction of any such court in any Proceeding. Notwithstanding anything to the contrary herein, Lender may commence legal proceedings or otherwise proceed against Borrower in any other jurisdiction if determined by Lender to be necessary in order to fully enforce or exercise any right or remedy of Lender relating to this loan, including without limitation, realization upon collateral that secures this loan.

ERRORS AND OMISSIONS: I agree that if deemed necessary by Lender or any agent closing the loan evidenced by this Note ("the Loan"), Lender or the agent may correct and adjust this Note and any other documents executed in connection with the Loan ("Related Documents") on my behalf, as if I were making the correction or adjustment, in order to correct clerical errors. A clerical error is information in a document that is missing or that does not reflect accurately my agreement with Lender at the time the document was executed. If any such clerical error is made, changes, I agree to fully cooperate in correcting such errors within 30 days of the date of mailing by Lender of a request to do so. Any change in the documents after they are signed to reflect a change in the agreement of the parties is an "alteration" or "amendment," which must be in writing and signed by the party who will be bound by the change.

CHANGE IN INITIAL INTEREST RATE: If this Note, evidences an extension of credit with a variable rate and an initial interest rate is stated, the initial rate stated on the Note when it is signed may differ from the actual rate due to changes in the index before closing.

DEFINED TERMS: Unless otherwise defined in this Change in Terms Agreement, all undefined terms shall have the meanings given to them in the Note or related loan documents.

MINIMUM INTEREST RATE: Notwithstanding anything to the contrary contained in your note, credit agreement or other instrument (the "Note") your interest rate or Periodic Rate, will never be lower than the legal minimum interest rate or floor as described in your Note. If your Note provides for a variable rate tied to an index plus a margin, that rate may, at times, total an amount less than the Minimum Interest Rate. In such case your interest rate or Periodic Rate will be the stated Minimum Interest Rate. In the event that the sum of the index plus the margin is greater than the Minimum Interest Rate, then this higher rate shall be the interest rate or Periodic Rate charged on your Note.

REINSTATEMENT OF MINIMUM INTEREST RATE: If the Note provides for a minimum interest rate (sometimes referred to as the "floor"), and such minimum interest rate is waived or removed by Lender in conjunction with Borrower entering into an interest rate swap transaction (e.g., a derivative transaction entered into under an International Swap Dealers Association (ISDA) Master Agreement) with Lender in connection with the Note, such minimum interest rate shall automatically be reinstated if, and at the time, the interest rate swap transaction is canceled or terminated for any reason.

SUCCESSORS AND ASSIGNS: Subject to any limitations stated in this Agreement on transfer of Borrower's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Borrower, Lender, without notice to Borrower, may deal with Borrower's successors with reference to this Agreement and the indebtedness without releasing Borrower from the obligations of this Agreement or liability under the indebtedness.

MISCELLANEOUS PROVISIONS: NOTICE: Under no circumstances (and notwithstanding any other provisions of this Agreement) shall the interest charged, collected, or contracted for on this Agreement exceed the maximum rate permitted by law. The term "maximum rate permitted by law" as used in this Agreement means the greater of: (a) the maximum rate of interest permitted under federal or other law applicable to the indebtedness evidenced by this Agreement; or (b) the higher, as of the date of this Agreement, of the "Weekly Ceiling" or the "Quarterly Ceiling" as referred to in Sections 303.002, 303.003 and 303.006 of the Texas Finance Code. If any part of this Agreement cannot be enforced, this fact will not affect the rest of the Agreement. Borrower does not agree or intend to pay, and Lender does not agree or intend to collect, for, charge, collect, take, receive or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. The right to accelerate maturity of sums due under this Agreement does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or collect any unaccrued interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be unsecured, prorated, allocated and spread throughout the full term of the loan evidenced by this Agreement until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may deny or forego enforcing any of its rights or remedies under this Agreement without losing them. Borrower and any other person who signs, guarantees or endorses this Agreement, to the extent allowed by law, waives prosecution, demand for payment, notice of delinquency, notice of intent to accelerate the maturity of this Agreement and notice of acceleration of the maturity of this Agreement. Upon any change in the terms of this Agreement, and unless otherwise expressly stated in writing, no party who signs this Agreement, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend repeatedly and for any length of time; this loan or release any party of guarantee or collateral, or waive, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Agreement are joint and several.

CHANGE IN TERMS AGREEMENT
(Continued)

Loan No 50194736

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PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT. BORROWER AGREES TO THE TERMS OF THE AGREEMENT.

BORROWER

NORTH ORANGE WATER AND SEWER, LLC

By: Bobby Mansack
BOBBY MANSACK, PRESIDENT of NORTH
ORANGE WATER AND SEWER, LLC

By: Cammie Vincent
CANNIE VINCENT, SECRETARY of NORTH
ORANGE WATER AND SEWER, LLC

By: Michael Mansack
MICHAEL MANSACK, VICE PRESIDENT of NORTH
ORANGE WATER AND SEWER, LLC

CHANGE IN TERMS AGREEMENT
(Continued)

Loan No. 50194738

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This Agreement and payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forego entering any of its rights or remedies under this Agreement without losing them. Borrower and any other person who signs, guarantees or endorses this Agreement, to the extent allowed by law, waive presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Agreement, and notice of acceleration of the maturity of this Agreement. Upon any change in the terms of this Agreement, and unless otherwise expressly stated in writing, no party who signs this Agreement, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend repeatedly and for any length of time this loan or release any party or guarantor or collateral, or modify, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Agreement are joint and several.

PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE AGREEMENT.

BORROWER

NORTH ORANGE WATER AND SEWER, LLC

By: [Signature]
BOBBY MANSHACK, PRESIDENT OF NORTH
ORANGE WATER AND SEWER, LLC

By: [Signature]
MICHAEL MANSHACK, VICE PRESIDENT OF NORTH
ORANGE WATER AND SEWER, LLC

By: [Signature]
CARMINA VINCENT, SECRETARY OF NORTH
ORANGE WATER AND SEWER, LLC

11/10/08
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