

Mandatory Water Use Restrictions: (all outdoor use of water is prohibited)

1. Irrigation of landscaped areas is absolutely prohibited
2. Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is absolutely prohibited.

SYSTEM OUTAGE OR SUPPLY CONTAMINATION

Notify TCEQ Regional Office immediately.

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TCEQ
WATER DIVISION
MAR 9 2009

APPENDIX A – SAMPLE SERVICE AGREEMENT

From 30 TAC Chapter 290.47(b), Appendix B

SERVICE AGREEMENT

- I. **PURPOSE.** The Bear Springs Trails Water Supply Corporation, Inc. is responsible for protecting the drinking water supply from contamination or pollution which could result from improper private water distribution system construction or configuration. The purpose of this service agreement is to notify each customer of the restrictions which are in place to provide this protection. The utility enforces these restrictions to ensure the public health and welfare. Each customer must sign this agreement before the Bear Springs Trails Water Supply Corporation, Inc. will begin service. In addition, when service to an existing connection has been suspended or terminated, the water system will not re-establish service unless it has a signed copy of this agreement.
- II. **RESTRICTIONS.** The following unacceptable practices are prohibited by State regulations.
 - A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device.
 - B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.
 - C. No connection which allows water to be returned to the public drinking water supply is permitted.
 - D. No pipe or pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.
 - E. No solder or flux which contains more than 0.2% lead can be used for the installation or repair of plumbing at any connection which provides water for human use.

2014 MAR 9 9 57

WATER SUPPLY

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III. SERVICE AGREEMENT. The following are the terms of the service agreement between the Bear Springs Trails Water Supply Corporation, Inc. (the Water System) and _____ NAME OF CUSTOMER (the Customer).

- A. The Water System will maintain a copy of this agreement as long as the Customer and/or the premises are connected to the Water System.
- B. The Customer shall allow his property to be inspected for possible cross-connections and other potential contamination hazards. These inspections shall be conducted by the Water System or its designated agent prior to initiating new water service; when there is reason to believe that cross-connections or other potential contamination hazards exist; or after any major changes to the private water distribution facilities. The inspections shall be conducted during the Water System's normal business hours.
- C. The Water System shall notify the Customer in writing of any cross-connection or other potential contamination hazard which has been identified during the initial inspection or the periodic reinspection.
- D. The Customer shall immediately remove or adequately isolate any potential cross-connections or other potential contamination hazards on his premises.
- E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by the Water System. Copies of all testing and maintenance records shall be provided to the Water System.

IV. ENFORCEMENT. If the Customer fails to comply with the terms of the Service Agreement, the Water System shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the Customer.

CUSTOMER'S SIGNATURE

DATE

**APPENDIX B – APPLICATION
FOR SERVICE**

**Bear Springs Trails Water Supply Corporation,
Inc.**

Return to
P.O. Box 63479

Or
197 Bear Springs Trails,
Pipe Creek, TX 78063

For additional information:
Call (830) 510-4284 or
Email: jan.serene@att.net

Each applicant must provide a legible photocopy of his or her driver's license or other photo ID.

Address where service is to be provided _____
Is this a _____ transfer of service or _____ new connection?
Are you _____ the owner or _____ renter at this address?
When should service begin? Month _____ Day _____, Year _____
Your name (Last Name, First, Middle Initial) _____

Date of birth (MM/DD/YYYY) _____
Driver's License Number _____ State _____
Social Security Number _____
Home Phone Number (____) _____ Cell (____) _____
Business Phone Number (____) _____ Ext. (if any) _____
Mailing Address (if different than service address) _____

Email Address _____
Would you prefer to receive bills and notices by _____ email or _____ US mail?

Co-Applicant (if applicable) Name (Last Name, First, Middle Initial) _____

Date of birth (MM/DD/YYYY) _____
Driver's License Number _____ State _____
Social Security Number _____
Home Phone Number (____) _____ Cell (____) _____
Business Phone Number (____) _____ Ext. (if any) _____
Mailing Address (if different than service address) _____

Email Address _____
Would you prefer to receive bills and notices by _____ email or _____ US mail?

Emergency contact (outside your household):
Name _____
Address _____
Phone number(s) _____
Email address _____



ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is executed on the date set forth below between Bear Springs Water Co., Inc., a Texas corporation ("Seller"), and Bear Springs Trails Water Supply Corporation, Inc., a Texas corporation ("Buyer"). In consideration of the mutual covenants contained in this Agreement, the parties agree as follows:

1. Buyer agrees to purchase from Seller and Seller agrees to sell, transfer, assign, convey and deliver to Purchaser all of Seller's right, title and interest in and to the assets described in Exhibit "A" attached to this Agreement. Such assets are hereinafter referred to as the Purchased Assets.

2. At closing, Seller will transfer the Purchased Assets to Buyer by execution of the Bill of Sale attached hereto as Exhibit "B." Buyer will pay Seller the sum of \$70,000.00 for the Purchased Assets at closing by the payment of \$40,000.00 in cash, with the balance of the purchase price represented by Buyer's execution of Buyer's Promissory Note in the principal sum of \$30,000.00, bearing interest at 5% per annum, and payable in 60 equal monthly installments of \$566.14 each. A copy of the Promissory Note to be executed by Buyer is attached as Exhibit "C." The Promissory Note will be secured by a Security Agreement executed by Buyer at closing covering the Purchased Assets, which Security Agreement is attached hereto as Exhibit "D."

3. The parties agree that this Agreement is contingent upon the approval of the Texas Commission on Environmental Quality ("TCEQ"), which approval shall include the TCEQ's transfer of the Seller's certificate of convenience and necessity (CCN) to Buyer, and TCEQ approval for Buyer to operate Seller's water company business servicing the homeowners in the Bear Springs Trails subdivision in Bandera County, Texas. The parties further agree that closing will take place five (5) business days after TCEQ approval and transfer of the CCN. Closing will take place at _____.

4. The parties further agree to cooperate with each other by executing all documents required by the TCEQ in connection with the transfer of the Purchased Assets and the CCN. Such documents include but are not limited to the Notice to Purchaser or Transferee attached as Exhibit "E," the Oath for Seller or Former Service Provider attached as Exhibit "F," and the TCEQ Application for Sale, Transfer or Merger of a Retail Public Utility attached as Exhibit "G."

5. Seller represents and warrants that the following statements contained in this Paragraph 5 are correct and complete as of the date of this Agreement, and will be correct and complete as of the closing date:

- a. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and has full corporate power to carry on its business as now being conducted.

- b. Seller has full power and authority to execute this agreement and perform its obligations under it. This Agreement is the valid and legally binding obligation of the Seller.
- c. The Purchased Assets are free and clear of any liens, claims, judgments or other encumbrances, and Seller is unaware of any pending claims or litigation that would affect the Purchased Assets in any way.
- d. Seller is in compliance with all federal, state or local laws or ordinances affecting Seller's business.

6. Buyer represents and warrants that the statements contained in this Paragraph 6 are correct and complete as of the date of this Agreement, and will be correct and complete as of the closing date:

- a. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and has full corporate power to carry on its business as now being conducted.
- b. Buyer has full power and authority to execute this agreement and perform its obligations under it. This Agreement is the valid and legally binding obligation of the Buyer.

7. This Agreement, including the exhibits attached to it, constitutes the entire agreement between the parties and supersedes any prior understandings, agreements or representations by or between the parties, whether written or oral, that are related in any way to the subject matter of this Agreement.

8. Exhibits "A" through "G" attached to this Agreement are incorporated by reference into this Agreement and made a part hereof for all purposes.

9. This agreement shall be governed by the laws of the State of Texas. Venue of any dispute or lawsuit arising out of this Agreement shall be in Fort Bend County, Texas.

EXECUTED this _____ day of _____, 2014.

Bear Springs Water Co., Inc.

By: _____
Gem B. Childress, President

"SELLER"

Bear Springs Trails Water Supply Corporation,
Inc.

By: _____
_____, President

“BUYER”

BILL OF SALE

Date: _____, 2014

Seller: Bear Springs Water Co., Inc.

Seller's Mailing Address: P.O. Box 18078
Sugar Land, Texas 77496-8078

Buyer: Bear Springs Trails Water Supply Corporation, Inc.

Buyer's Mailing Address: P.O. Box 63479
Pipe Creek, Texas 78063

Consideration: \$70,000.00

Transferred Property: All that property shown as Tangible Assets of Bear Springs Water Co. Inc. as of April _____, 2014 on Exhibit "A" which is attached hereto and incorporated herein for all purposes.

Seller, for the consideration and subject to the exceptions to transfer and warranty, sells, transfers, and delivers the Transferred Property to Buyer, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold unto Buyer and Buyer's heirs, successors, and assigns forever. Seller binds Seller and Seller's successors and assigns to warrant and forever defend all and singular the Transferred Property to Buyer and Buyer's heirs, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof when the claim is by, through, or under Seller but not otherwise, except as to the exceptions to transfer and warranty.

WITH THE EXCEPTION OF THE WARRANTIES OF TITLE, INCLUDING THE WARRANTY THAT NO LIENS EXIST ON THE TRANSFERRED PROPERTY, SELLER HAS MADE NO AFFIRMATION OF FACT OR PROMISE RELATING TO THE TRANSFERRED PROPERTY THAT HAS BECOME ANY BASIS OF THIS BARGAIN, AND FURTHER, SELLER HAS MADE NO AFFIRMATION OF FACT OR PROMISE RELATING TO THE TRANSFERRED PROPERTY THAT WOULD CONFORM TO ANY SUCH AFFIRMATION OR PROMISE. SELLER DISCLAIMS ANY WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE WHATEVER WITH RESPECT TO THE TRANSFERRED PROPERTY. THE TRANSFERRED PROPERTY IS SOLD ON AN "AS IS" BASIS, AND IS ACCEPTED BY BUYER WITH ANY AND ALL DEFECTS.

BUYER HAS INSPECTED THE TRANSFERRED PROPERTY, AND BUYER ACCEPTS THE TRANSFERRED PROPERTY "AS IS." BUYER AGREES TO INDEMNIFY SELLER AND HOLD SELLER HARMLESS FROM ANY AND ALL SUITS, CLAIMS OR CAUSES OF ACTION WHATSOEVER ARISING OUT OF THE CONDITION OR OPERATION OF THE TRANSFERRED PROPERTY, REGARDLESS OF WHETHER SUCH CONDITION OR OPERATION AROSE AT ANY TIME PRIOR TO THE DATE HEREOF, OR AT ANY TIME IN THE FUTURE.

THE TRANSFER AND SALE CONTEMPLATED HEREIN IS EXPRESSLY CONTINGENT UPON AND WILL ONLY CLOSE AND BE EFFECTIVE FOLLOWING APPROVAL, AND TRANSFER OF THE CNN FROM SELLER TO BUYER, BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY.

Bear Springs Water Co., Inc.

By: _____
_____, President

"Seller"

Bear Springs Trails Water Supply
Corporation, Inc.

"Buyer"

BEAR SPRINGS WATER CO., INC.
SECTIONS 1 & 2 OF BEAR SPRINGS TRAILS SUBDIVISION
PIPE CREEK, TEXAS
TANGIBLE ASSETS
APRIL 2014

Water system: (June 2000)

- 355' 6 5/8" steel Schedule 40 Casing
- 7' x 7' concrete slab for well head
- 1,500 gallon pressure tank on concrete slab
- 20,000 gallon storage tank
- (2) 5 HP Berkley B 1-1/2 TPLS pumps
- Stenner Chlorinator w/50 gallon tank
- Float indicator
- Oilless air compressor w/site glass probe control
- 2" meter w/flange set

Water system upgrade to include Section 2 of subdivision: (April 2006)

- (2) BwWPS 7- 1/2 HP Berkley pumps (replaces (2) 5 HP Berkley B 1-1/2 TPLS pumps listed above)
- (3) HD pressure switches
- (2) HD contactors
- (1) Pump stand

Miscellaneous plumbing & electrical parts

Pump House: Concrete block house with roof & 2 doors on 16' x 16' concrete slab – see attached picture

Hurricane fencing around entire pump house w/gate & signage, well & storage tank – see attached picture

Riser installed (December 2013) on flush valve located on Meadow Ridge Ct. (used for routine flushing of system)

EXHIBIT "A"

SECTION 1 PIPING: estimate per engineered plans

4" SDR 21 water line = 1,460 L.F.

3" SDR 21 water line = 2,600 L.F.

2" SDR 21 water line = 1,550 L.F.

3" gate valves w/boxes = 3

2" gate valves w/boxes = 3

2" blow off assembly = 2

Single service connections = 3

Double service connections = 11

SECTION 2 PIPING: estimate per engineered plans

3" PVC water line = 3,930 L.F.

2" PVC water line = 2,650 L.F.

2" blow-off assemblies = 4

3" valves w/valve boxes = 2

2" valves w/valve boxes = 2

3" x 2" reducers = 2

Singles service connections = 3

Double service connections = 16

CURRENTLY INSTALLED & FUNCTIONING WATER METERS (USAGE BILLED EACH MONTH)	21
CURRENTLY INSTALLED BUT NON-FUNCTIONING WATER METERS (NOT BILLED)	5*
* (3 – No construction underway or anticipated within at least the next year)	
* (1 – House currently under construction)	
* (1 – House construction beginning soon)	

By the end of 2014, there should be 23 billed meters each month and 3 non-billed meters (not connected to system).

BEAN SPRINGS WATER CO., INC.
EMERGENCY PHONE NUMBER
830-257-4107

Exhibit "A"

Page 3

BEAR SPRINGS WATER CO., INC.
EMERGENCY PHONE NUMBER
830-257-4107

BEAR SPRINGS WATER CO., INC.
SECTIONS 1 & 2 OF BEAR SPRINGS TRAILS SUBDIVISION
PIPE CREEK, TEXAS
ASSET LIST
APRIL 2014

EQUIPMENT, ETC.

Well site (Pump House), pump & chlorinator including fencing and signage

Water distribution lines for sixty (60) lots in Sections 1 and 2

Any updated equipment as of closing date

(See attached Tangible Asset list dated April 2014 for a more detailed inventory along with pictures of pump house and signage.)

FINANCIAL ASSETS

Credit balances (if any) due from customer accounts at closing and following final calculations on water usage due and owing by these customers for period prior to closing date.

Note: Monies due for water service / usage prior to closing of sales transaction and following final calculations will remain income of Bear Springs Water Co., Inc. and not become an asset sold to the purchaser.

OTHER

Sanitary Control Easement: dated October 2, 2000 (Grantor: Bear Springs Trails, L.L.C.; Grantee: The Public). Filed in Bandera County on October 10, 2000. Document Number 0121575. Copy attached.

Sanitary Control Easement: dated May 2, 2002 (Grantor: Bear Springs Trails, L.L.C.; Grantee: The Public). Filed in Bandera County on May 7, 2002. Document Number 0130643. Copy attached.

SANITARY CONTROL EASEMENT

DATE: October 3, 2000

GRANTOR: Bear Springs Trails, L.L.C.

GRANTOR'S ADDRESS: 4800 Sugar Grove Blvd.
Suite No. 190
Stafford, Texas 77477

GRANTEE: The Public

SANITARY CONTROL EASEMENT:**Purpose, Restrictions, and Uses of Easement**

1. The purpose of this easement is to protect the water supply of the well described and located below by means of sanitary control.
2. The construction and operation of underground petroleum and chemical storage tanks and liquid transmission pipelines, stock pens, feedlots, dump grounds, privies, cesspools, septic tank or sewage treatment drainfields, improperly constructed water wells of any depth, and all other construction or operation that could create an insanitary condition within, upon, or across the property subject to this easement are prohibited within this easement. For the purpose of the easement, improperly constructed water wells are those wells which do not meet the surface and subsurface construction standards for a public water supply well.
3. The construction of tile or concrete sanitary sewers, sewer appurtenances, septic tanks, storm sewers, and cemeteries is specifically prohibited within a 50-foot radius of the water well described and located below.
4. This easement permits the construction of homes or buildings upon the Grantor's property as long as all items in Restrictions Nos. 2 and 3 are recognized and followed.
5. This easement permits normal farming and ranching operations, except that livestock shall not be allowed within 50 feet of the water well.

The Grantor's property subject to this Easement is described in the documents recorded at: Volume 519, Page 93, of the Real Property Records of Bandera County, Texas.

Property Subject to Easement: All of that area within a 150 foot radius of the water well located 74.05 feet at a radial of N33°12'15"E from the most northerly corner of Lot No. 14 and the most westerly corner of Lot No. 15, Block No. 1, Bear Springs Trails, Section 1, (Proposed) and also being S47°04'33"E a distance of 6378.16 feet from the most westerly corner of the Joel Townsend Survey No. 256, Abstract No. 858, Bandera County, Texas.

TERM:

This easement shall run with the land and shall be binding on all parties and persons claiming under the Grantor for a period of two years from the date that this easement is recorded; after which time, this easement shall be automatically extended until the use of the subject water well as a source of water for a public water system ceases.

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ENFORCEMENT:

Enforcement of this easement shall be proceedings at law or in equity against any person or persons violating or attempting to violate the restrictions in this easement, either to restrain the violation or to recover damages.

INVALIDATION:

Invalidation of any one of these restrictions or uses (covenants) by a judgement or a court order shall not affect any of the other provisions of this easement, which shall remain in full force and effect.

FOR AND IN CONSIDERATION, the sum of One Dollar (\$1.00) and for other good and valuable consideration paid by the Grantee to the Grantor, the receipt of which is hereby acknowledged, the Grantor does hereby grant and convey to the Grantee and to its successors and assigns the sanitary control easement described in this easement.

GRANTOR: Bear Springs Trails, L.L.C.

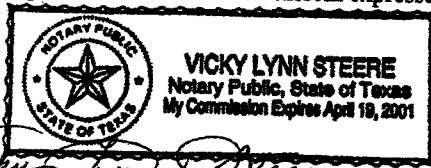
By: Lem B. Childress, President

ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF FORT BEND

BEFORE ME, the undersigned authority, on the 3rd day of October, 2000, personally appeared Lem B. Childress, 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.



Vicky Lynn Steere
Notary Public in and for THE STATE OF TEXAS

My Commission Expires: April 19, 2001

VICKY LYNN STEERE

Typed or Printed Name of Notary

Recorded in Bandera County Courthouse, Bandera, Texas on _____

*Picked up by:
Lem Childress*

Bernice Bates,
Bandera County Clerk

Oct 10, 2000

I hereby certify that this instrument was filed on the date and time stamped herein by me and was duly recorded in the volume and page of the named records of:
Bandera County
as stamped herein by me.

Filed for Record in:
Bandera County
On: Oct 10, 2000 at 05:00P
As a
Recording
Document Number: 0121575
Amount: 11.00
Receipt Number - 16687
By:
Tina Ramez

SANITARY CONTROL EASEMENTDATE: May 2, 2002

GRANTOR: Bear Springs Trails, L.L.C.

GRANTOR'S ADDRESS: 4800 Sugar Grove Blvd.
Suite No 190
Stafford, Texas 77477

GRANTEE: The Public

SANITARY CONTROL EASEMENT:

Purpose, Restrictions, and Uses of Easement

1. The purpose of this easements is to protect the water supply of the well described and located below by means of sanitary control.
2. The construction and operation of underground petroleum and chemical storage tanks and liquid transmission pipelines, stock pens, feedlots, dump grounds, privies, cesspools, septic tank or sewage treatment drainfields, improperly constructed water wells of any depth, and all other construction or operation that could create an insanitary condition within, upon, or across the property subject to this easement are prohibited within this easement. For the purpose of the easement, improperly constructed water wells are those wells which do not meet the surface and subsurface construction standards for a public water supply well.
3. The construction of tile or concrete sanitary sewers, sewer appurtenances, septic tanks, storm sewers, and cemeteries is specifically prohibited within a 50-foot radius of the water well described and located below.
4. This easement permits the construction of homes or buildings upon the Grantor's property as long as all items in Restrictions Nos. 2 and 3 are recognized and followed.
5. This easement permits normal farming and ranching operations, except that livestock shall not be allowed within 50 feet of the water well.

The Grantor's property subject to this Easement is described in the documents recorded at: Volume 519, Page 93, of the Real Property Records of Bandera County, Texas.

Property Subject to Easement: All of that area within a 150 foot radius of the water well located 74.05 feet at a radial of N33°12'15"E from the most northerly corner of Lot No. 14 and the most westerly corner of Lot No. 15, Block No. 1, Bear Springs Trails, Section 1, (Proposed) and also being S47°04'33"E a distance of 6378.16 feet from the most westerly corner of the Joel Townsend Survey No. 256, Abstract No. 858, Bandera County, Texas. This recordation specifically records this easement for Lot No. 14, Bear Springs Trails subdivision, as recorded in the plat records of said county in Book 6, Pages 299-301.

TERM:

This easement shall run with the land and shall be binding on all parties and persons claiming under the Grantor for a period of two years from the date that this easement is recorded; after which time, this easement shall be automatically extended until the use of the subject water well as a source of water for a public water system ceases.

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8**ENFORCEMENT:**

Enforcement of this easement shall be proceedings at law or in equity against any person or persons violating or attempting to violate the restrictions in this easement, either to restrain the violation or to recover damages.

INVALIDATION:

Invalidation of any one of these restrictions or uses (covenants) by a judgement or a court order shall not affect any of the other provisions of this easement, which shall remain in full force and effect.

FOR AND IN CONSIDERATIONS, the sum of One Dollar (\$1.00) and for other good and valuable consideration paid by the Grantee to the Grantor, the receipt of which is hereby acknowledged, the Grantor does hereby grant and convey to the Grantee and to its successors and assigns the sanitary control easement described in this easement.

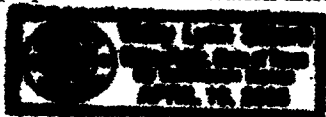
GRANTOR: Bear Springs Trails, L.L.C.

By: Sam B. Childress**ACKNOWLEDGMENT**

STATE OF TEXAS

COUNTY OF FORT BEND

BEFORE ME, the undersigned authority, on the 2nd day of May, 2002, personally appeared Sam B. Childress, 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.



Vicky Lynn Steere
Notary Public in and for THE STATE OF TEXAS

My Commission Expires: April 19, 2005

VICKY LYNN STEERE
Typed or Printed Name of Notary

Recorded in Bandera County Courthouse, Bandera, Texas on MAY 7, 2002

Hand Delivered:
Renée Leith

Bernice Bates,
Bandera County Clerk

May 07, 2002

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of:
BANDERA COUNTY
COUNTY OF BANDERA
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.
STATE OF TEXAS
COUNTY OF BANDERA
as stamped hereon by me.
Bandera County

Filed for Record in:
Bandera County
On: May 07, 2002 at 12:56PM
As a
Recording
Document Number: 0130643
Amount 11.00
Receipt Number - 26959
By,
Bernice Bates

**NOTICE TO PURCHASER OR TRANSFEREE PURSUANT TO
SECTIONS 13.301(j) and (k) OF THE TEXAS WATER CODE**

To: Bear Springs Trails Water Supply Corporation, Inc.
c/o: Mr. Patrick Cohoon, Attorney at Law
Simon Herbert McClelland & Stiles LLP
8 Spencer Road, Suite 300
Boerne, Texas 78006

Dear Sirs:

In connection with the sale or the transfer of all of the tangible assets of Bear Springs Water Co., Inc. to Bear Springs Trails Water Supply Corporation, Inc., and pursuant to the requirements of Sec. 13.301(j) of the Texas Water Code, this is written to disclose to you that no customer contributions in aid of construction of the utility facility or system being purchased by you were partially or wholly constructed from customer contributions in aid of construction derived from specific surcharges approved by the regulatory authority over and above revenues required for normal operating expenses. The water system in question was constructed with money provided by investors in Bear Springs Trails, LLC. Therefore, the total amount of customer contributions was zero.

Pursuant to Sec. 13.301(k) of the Texas Water Code, please note the requirements of Sec. 13.301 of the Texas Water Code regarding the sale or transfer of the tangible assets of Bear Springs Water Co., Inc., which are set forth in detail in the attached Exhibit "A," which is a true and correct copy of Sec. 13.301 of the Texas Water Code.

SIGNED this _____ day of _____, 2014.

Gem B. Childress, President
Bear Springs Water Co, Inc.

§ 13.257

WATER ADMINISTRATION Title 2

Service Provider--Reliance on Accuracy of Information for Section 13.257 Notice.
13 West's Texas Forms § 6.53, Notice by Seller as to Certificated Service Area of Utility Service Provider--Effect of Section 13.257 Notice on Actions for Damages.
13 West's Texas Forms § 6.51.5, Notice by a Utility Service Provider--Requirements.

Treatises and Practice Aids

Cochran, 27 Tex. Prac. Series § 7.2, Protection Against Fraudulent Sales Practices -- Texas Law.

SUBCHAPTER H. SALE OF PROPERTY AND MERGERS

§ 13.301. Report of Sale, Merger, Etc.; Investigation; Disallowance of Transaction

(a) A utility or a water supply or sewer service corporation, on or before the 120th day before the effective date of a sale, acquisition, lease, or rental of a water or sewer system that is required by law to possess a certificate of public convenience and necessity or the effective date of a merger or consolidation with such a utility or water supply or sewer service corporation, shall:

(1) file a written application with the commission; and

(2) unless public notice is waived by the executive director for good cause shown, give public notice of the action.

(b) The commission may require that the person purchasing or acquiring the water or sewer system demonstrate adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area and any areas currently certificated to the person.

(c) If the person purchasing or acquiring the water or sewer system cannot demonstrate adequate financial capability, the commission may require that the person provide a bond or other financial assurance in a form and amount specified by the commission to ensure continuous and adequate utility service is provided.

(d) The commission shall, with or without a public hearing, investigate the sale, acquisition, lease, or rental to determine whether the transaction will serve the public interest.

(e) Before the expiration of the 120-day notification period, the executive director shall notify all known parties to the transaction of the executive director's decision whether to request that the commission hold a public hearing to determine if the transaction will serve the public interest. The executive director may request a hearing if:

(1) the application filed with the commission or the public notice was improper;

(2) the person purchasing or acquiring the water or sewer system has not demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the service area being acquired and to any areas currently certificated to the person;

(3) the person or an affiliated interest of the person purchasing or acquiring the water or sewer system has a history of:

WATER RATES AND SERVICES

§ 13.301

Ch. 13

(A) noncompliance with the requirements of the commission or the Texas Department of Health; or

(B) continuing mismanagement or misuse of revenues as a utility service provider;

(4) the person purchasing or acquiring the water or sewer system cannot demonstrate the financial ability to provide the necessary capital investment to ensure the provision of continuous and adequate service to the customers of the water or sewer system; or

(5) there are concerns that the transaction may not serve the public interest, after the application of the considerations provided by Section 13.246(c) for determining whether to grant a certificate of convenience and necessity.

(f) Unless the executive director requests that a public hearing be held, the sale, acquisition, lease, or rental may be completed as proposed:

(1) at the end of the 120-day period; or

(2) at any time after the executive director notifies the utility or water supply or sewer service corporation that a hearing will not be requested.

(g) If a hearing is requested or if the utility or water supply or sewer service corporation fails to make the application as required or to provide public notice, the sale, acquisition, lease, or rental may not be completed unless the commission determines that the proposed transaction serves the public interest.

(h) A sale, acquisition, lease, or rental of any water or sewer system required by law to possess a certificate of public convenience and necessity that is not completed in accordance with the provisions of this section is void.

(i) This section does not apply to:

(1) the purchase of replacement property; or

(2) a transaction under Section 13.255 of this code.

(j) If a public utility facility or system is sold and the facility or system was partially or wholly constructed with customer contributions in aid of construction derived from specific surcharges approved by the regulatory authority over and above revenues required for normal operating expenses and return, the public utility may not sell or transfer any of its assets, its certificate of convenience and necessity, or its controlling interest in an incorporated utility, unless the utility provides to the purchaser or transferee before the date of the sale or transfer a written disclosure relating to the contributions. The disclosure must contain, at a minimum, the total dollar amount of the contributions and a statement that the contributed property or capital may not be included in invested capital or allowed depreciation expense by the regulatory authority in rate-making proceedings.

(k) A utility or a water supply or sewer service corporation that proposes to sell, assign, lease, or rent its facilities shall notify the other party to the

§ 13.301

WATER ADMINISTRATION Title 2

transaction of the requirements of this section before signing an agreement to sell, assign, lease, or rent its facilities.

Added by Acts 1985, 69th Leg., ch. 795, § 3.005, eff. Sept. 1, 1985. Amended by Acts 1987, 70th Leg., ch. 539, § 21, eff. Sept. 1, 1987; Acts 1989, 71st Leg., ch. 567, § 33, eff. Sept. 1, 1989; Acts 1991, 72nd Leg., ch. 678, § 9, eff. Sept. 1, 1991; Acts 1995, 74th Leg., ch. 400, § 7, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1010, § 6.11, eff. Sept. 1, 1997.

Historical and Statutory Notes

Acts 1987, 70th Leg., ch. 539 rewrote the section, which prior thereto read:

"(a) A utility may not sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000 or merge or consolidate with another utility operating in this state unless the utility reports the transaction to the commission within a reasonable time.

"(b) On the filing of a report with the commission, the commission shall investigate the transaction with or without public hearing to determine whether the transaction is consistent with the public interest.

"(c) In reaching its determination, the commission shall take into consideration the reasonable value of the property, facilities, or securities to be acquired, disposed of, merged, or consolidated.

"(d) If the commission finds that the transaction is not in the public interest, the commission shall take the effect of the transaction into consideration in the ratemaking proceedings and disallow the effect of the transaction if it will unreasonably affect rates or service.

"(e) This section may not be construed as being applicable to the purchase of units of property for replacement or to the addition to the facilities of the utility by construction."

Acts 1989, 71st Leg., ch. 567 in subsec. (a) deleted "public" preceding "utility" throughout and inserted the references to "water supply or sewer service corporation" throughout; rewrote subsec. (b); in subsec. (d) substituted "or to a transaction under Section 13.255 of this code" for "or to the addition of facilities by construction", and added subsec. (e).

Acts 1991, 72nd Leg., ch. 678, in subsec. (a), inserted "and give public notice unless public notice is waived by the executive director for good cause shown" and substituted "120 days" for "60 days"; rewrote subsec. (c), inserted subsec. (d); redesignated former subsecs. (d) and (e) as (e) and (f), respectively; and added subsec. (g). Prior to amendment, subsec. (c) read:

"Before the expiration of the 60-day notification period, the commission shall notify all

known parties to the transaction of any facts or conditions discovered that would have an adverse effect on a proceeding under Section 13.251 of this code. If no adverse facts or conditions are discovered the executive director shall notify all known parties of that fact. A notification under this subsection does not prohibit the executive director from making adverse recommendations in a subsequent proceeding under Section 13.251 of this code."

Acts 1995, 74th Leg., ch. 400, in subsec. (c), deleted "or" at the end of subd. (3), added "or" at the end of subd. (4) and added subd. (5).

Acts 1997, 75th Leg., ch. 1010 rewrote the section, which formerly read:

"(a) A utility or a water supply or sewer service corporation shall notify the commission and give public notice unless public notice is waived by the executive director for good cause shown at least 120 days before the effective date of any sale, acquisition, lease, or rental of any water or sewer system required by law to possess a certificate of public convenience and necessity or of any merger or consolidation with such a utility or water supply or sewer service corporation.

"(b) The commission shall with or without a public hearing, investigate the sale, acquisition, lease, or rental to determine whether the transaction will serve the public interest.

"(c) Before the expiration of the 120-day notification period, the executive director shall notify all known parties to the transaction of the executive director's decision whether to request that the commission hold a public hearing to determine if the transaction will serve the public interest. The executive director may request a hearing if:

"(1) the notification to the commission or the public notice was improper;

"(2) the person purchasing or acquiring the water or sewer system is inexperienced as a utility service provider;

"(3) the person or an affiliated interest of the person purchasing or acquiring the water or sewer system has a history of noncompliance with the requirements of the commission or the Texas Department of Health or of

PROMISSORY NOTE

BEAR SPRINGS TRAILS WATER SUPPLY CORPORATION, INC. ("Maker"), for value received, agrees to pay to the order of BEAR SPRINGS WATER CO., INC. ("Payee"), or its successors or assigns, at P.O. Box 18078, Sugar Land, Fort Bend County, Texas 77496-8078, or at such other address as Payee may specify in writing to Payor, in lawful money of the United States of America, the principal sum of THIRTY THOUSAND AND NO/100THS DOLLARS (\$30,000.00), together with interest thereon at five percent (5%) per annum.

This note is due and payable in sixty (60) equal consecutive monthly installments of FIVE HUNDRED SIXTY-SIX AND FOURTEEN/100THS DOLLARS (\$566.14) each with the first such payment due on _____, 2014 and the final such payment due on _____, 2019. All payments of interest and principal shall be payable to Payee at the address shown above, or at any subsequent address provided to Maker in writing by Payee.

This Note is secured by that one certain Security Agreement of even date herewith, covering personal property therein described.

MAKER hereof may at any time pay the full amount or any part of this Note, without the payment of any premium or fee, and all payments hereunder, whether designated as payments of principal or interest shall be applied first to the payment of accrued interest and the balance to the payment of the principal. Interest shall immediately cease on any principal amount so prepaid.

If all or any part of the amount of this Note be declared due in accordance with other provisions hereof or if any installment herein provided is not paid when due, such matured amount or such defaulted installment as the case may be shall bear interest at the lesser of 10% per annum or the maximum rate of interest permitted by law, whichever is less, until paid in full or until the Note is reinstated or renewed and extended.

If any default is made in the payment of this Note at maturity (regardless of how its maturity may be brought about) and the same is placed in the hands of an attorney for collection, or suit is filed hereon, or proceedings are had in bankruptcy, probate, receivership, reorganization, rearrangement, or other judicial proceedings for the establishment or collection of any amount payable or to be payable hereunder, or is collected through any such proceedings, Maker agrees and is also to pay to the owner and holder of this Note a reasonable amount as attorney's fees or collection fees.

MAKER expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, bringing suit, and diligence in taking any action to collect amounts called for hereunder and in the handling of securities or any other collateral at any time existing in connection herewith, and is and shall be directly and primarily liable for the payment of all sums owing and to be owing hereon, regardless of and without any notice, diligence, act, or omission as or with respect to the collection of any amount called for hereunder or in connection

with any right, lien, interest, or property at any and all times had or existing as security for any amount called for hereunder.

It is the intention of the parties hereto to comply with applicable usury laws; accordingly, it is agreed that notwithstanding any provisions to the contrary in this Note in no event shall this Note require the payment or permit the collection of interest in excess of the maximum amount permitted by such laws. If any such excess of interest is contracted for, charged, or received, under this Note or under any of the instruments securing payment hereof or otherwise relating hereto, or in the event the maturity of the indebtedness evidenced by this Note is accelerated in whole or in part, or in the event that all or part of the principal or interest of this Note shall be prepaid, so that under any of such circumstances the amount of interest contracted for, charged or received under this Note or under any of the instruments securing payment hereof or otherwise relating hereto, on the amount of principal actually outstanding from time to time under this Note, shall exceed the maximum amount of interest permitted by applicable usury laws, then in any such event (a) the provisions of this paragraph shall govern or control, (b) neither the Maker hereof nor any other person or entity now or hereafter liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest permitted by applicable usury laws, (c) any such excess which may have been collected shall be either applied as a credit against the then unpaid principal amount hereof or refunded to Maker, at the holder's option, and (d) the effective rate of interest shall be automatically reduced to the maximum lawful contract rate allowed under applicable usury laws as now or hereafter construed by the courts having jurisdiction thereof. It is further agreed that without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received under this Note or under such other documents which are made for the purposes of determining whether such rate exceeds the maximum lawful contract rate, shall be made, to the extent permitted by applicable laws, by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan evidenced hereby, all interest at any time contracted for, charged or received from Maker or otherwise by the holder or holders hereof in connection with such loan.

Any check, draft, money order or other instrument given in payment of all or any portion hereof may be accepted by the holder hereof and handled in collection in the customary manner, but the same shall not constitute payment hereunder or diminish any rights of the holder hereof except to the extent that actual cash proceeds of such instruments are conditionally received by the holder and applied to this indebtedness in the manner elsewhere herein provided.

It is agreed that time is of the essence of this undertaking. It is expressly provided that upon the default in the punctual payment of this Note or any installment thereof, principal or interest, as the same shall become due and payable, the holder of this Note may declare the entirety of the indebtedness evidenced hereby immediately due and payable without notice, and failure to accelerate shall not constitute a waiver on the part of the holder of the right to exercise the same at any other time.

EXECUTED this _____ day of _____, 2014.

Bear Springs Trails Water Supply Corporation,
Inc.

By: _____
Jan Serene, President

“MAKER”

SECURITY AGREEMENT

BEAR SPRINGS TRAILS WATER SUPPLY CORPORATION, INC., hereafter "MAKER," and BEAR SPRINGS WATER CO., INC., hereafter "HOLDER," agree as follows:

Creation of Security Interest

MAKER hereby grants to HOLDER a security interest in the personal property described in Exhibit "A" attached hereto, to secure the performance and payment of all obligations and indebtedness, of whatever kind and whenever or however created or incurred, of MAKER to HOLDER.

Collateral

The Collateral of this Security Agreement is described in Exhibit "A" attached hereto and incorporated herein for all purposes.

Maker's Obligations

MAKER shall pay to HOLDER any sum or sums due, or which may become due, pursuant to that one certain Promissory Note of even date herewith in the principal sum of THIRTY THOUSAND AND NO/100THS DOLLARS (\$30,000.00) executed by MAKER to evidence MAKERS' indebtedness to HOLDER, in accordance with the terms of such promissory note and the terms of this Security Agreement.

MAKER shall pay to HOLDER on demand all expenses and expenditures, including reasonable attorney's fees and other legal expenses incurred or paid by HOLDER in exercising or protecting its interests, rights, and remedies under this Security Agreement, plus interest hereon at the rate of ten percent (10%) per annum after maturity.

MAKER shall pay immediately, without notice, the entire unpaid indebtedness of MAKER to HOLDER, whether created or incurred pursuant to this Security Agreement or otherwise, upon MAKERS' default under this Security Agreement.

Maker Represents, Warrants, and Agrees That:

MAKER'S mailing address is P.O. Box 63479, Pipe Creek, Texas 78063 and its physical address is 997 Bear Springs Trail, Pipe Creek, Texas 78063.

All information supplied and statements made by MAKER in any accounting, credit, or financial statement or loan application prior to, contemporaneously with, or subsequent to the execution of this Security Agreement are and shall be complete, true, and correct.

The Collateral will not be misused or abused, wasted, or allowed to deteriorate, except for the ordinary wear and tear of its intended use, and will not be used in violation of any statute or ordinance.

MAKER shall pay, prior to delinquency, all taxes, charges, liens and assessments against the Collateral, and upon MAKER'S failure to do so, HOLDER at its option may pay any of these legal and valid obligations in the amount necessary to discharge them.

MAKER will execute any financing statement, or other instrument or document, deemed necessary by HOLDER to protect the security interest under this Security Agreement against the rights or interests of third persons.

HOLDER may enter upon MAKER'S premises at any reasonable time to inspect the Collateral, and MAKER shall assist HOLDER in making any such inspection.

Upon default by MAKER, at HOLDER's option, HOLDER may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral, may pay for the repair, maintenance, and preservation of Collateral, and may pay for insurance on the Collateral; and all sums so expended, including, but not limited to, attorney's fees, court costs, agent's fees, commissions, or any other costs or expenses, shall bear interest from the date of payment at the rate of ten percent (10%) per annum and shall be payable at the place designated in the note or notes secured by this Security Agreement.

MAKER agrees to reimburse HOLDER for any payment made, or expense incurred by HOLDER pursuant to the forgoing authorization.

Default

MAKER shall be in default under this Security Agreement and Promissory Note upon the happening of any of the following events or conditions:

- (1) MAKER'S failure to pay when due any indebtedness secured by this Security Agreement, either principal or interest;
- (2) any warranty, representation or statement made or furnished to HOLDER by or in behalf of MAKER proves to have been false in any material respect when made or furnished;
- (3) default in the performance of any obligation, covenant, or liability contained or referred to in this Security Agreement and Promissory Note;
- (4) loss, theft, substantial damage, destruction, sale or encumbrance of any of the Collateral, or the making of any levy, seizure or attachment of or on the Collateral;

- (5) dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the Collateral, assignment for the benefit of creditors, or the commencement of any proceedings under any bankruptcy or insolvency law, of, by, or against MAKER;
- (6) the default in any of the terms, provisions and conditions of loan agreements by and between MAKER and HOLDER.

Rights in Event of Default

Following written notice of an event of default to MAKER and a ten (10) business day opportunity for it to cure, HOLDER may declare all obligations secured hereby immediately due and payable, and shall have the rights and remedies of a HOLDER under the Texas Uniform Commercial Code, including, without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral, and the right to take possession of the Collateral, and for such purposes HOLDER may enter upon any premises on which the Collateral or any part of the Collateral may be situated and remove the same therefrom. HOLDER may require MAKER to assemble the Collateral and make it available to HOLDER at a place to be designated by HOLDER that is reasonably convenient to both parties. Expenses of retaking, holding preparing for sale, or selling, or the like, of any Collateral shall include HOLDER's reasonable attorney's fees and legal expenses, plus interest thereon at the rate of ten percent (10%) per annum after maturity. MAKER shall remain liable for any deficiency.

HOLDER may remedy any default or may waive any default. Any such waiver does not waive other prior or subsequent default.

The remedies of HOLDER under this Agreement are cumulative, and the exercise of any one or more of the remedies provided for in this Agreement shall not be construed as a waiver of any of the other remedies of HOLDER.

Additional Agreements

The term "MAKER" as used in this instrument includes the successors, representatives, receivers, trustees and assigns of the party specifically named as MAKER signed and designated under this Agreement.

Terms used in this Security Agreement that are defined in the Texas Uniform Commercial Code are used with the meanings as therein defined.

The law governing this secured transaction shall be that of the State of Texas in force at the date of this Security Agreement.

EXECUTED this _____ day of _____, 2014.

Bear Springs Trails Water Supply Corporation,
Inc.

By: _____
Jan Serene, President

“MAKER”

**CURRENT WATER CUSTOMER OF
BEAR SPRINGS WATER CO., INC.
APRIL 28, 2014**

**Dr. Sarah Aliff
412 Bear Springs Trail
Pipe Creek, Texas 78063**

Lot 6, Blk. 2, Sect. 1

**Walter Holland
226 Meadow Ridge Court
Pipe Creek, TX 78063**

Lot 4, Blk. 1, Sect. 1

**David Ketterer
P.O. Box 510
Pipe Creek, TX 78063-0510**

Lot 13, Blk. 1, Sect. 2

**Robert & Laura Klein
P.O. Box 64017
Pipe Creek, TX 78063**

Lot 9, Blk. 1, Sect. 1

**Flint & Claudia Lemon
657 Bear Springs Trail
Pipe Creek, TX 78063**

Lot 12, Blk. 1, Sect. 1

**Rick & Susan McCracken
P.O. Box 63657
Pipe Creek, TX 78063**

Lot 10, Blk. 1, Sect. 1

**Chad & Cresta Marietta
600 Bear Springs Trail
Pipe Creek, TX 78063**

Lot 9, Blk. 2, Sect. 1

**Doug & Sandra Meckel
P.O. Box 64123
Pipe Creek, TX 78063**

Lot 14, Blk. 1, Sect. 2

**Kyle Miesse
388 Bear Springs Trail
Pipe Creek, TX 78063**

Lot 5, Blk. 2, Sect. 1

**Ray & Anne Nolen
302 Bear Springs Trail
Pipe Creek, TX 78063**

Lot 4, Blk. 2, Sect. 1

**Joyce Pelletier
7 Homer Clark Ln
Sandy Hook, CT 06482**

Lot 15, Blk. 1, Sect. 1

**Richard & Joan Robinson
229 Meadow Ridge Court
Pipe Creek, TX 78063**

Lot 3, Blk. 1, Sect. 1

**Maria Rodriguez
10000 West Commerce
San Antonio, TX 78227**

Lot 5, Blk. 1, Sect. 1

**Carl & Mary Schumann
536 Bear Springs Trail
Pipe Creek, TX 78063**

Lot 8, Blk. 2, Sect. 1

**Bruce & Arsenia Scott
1667 Bear Springs Trail
Pipe Creek, TX 78063**

Lot 6, Blk. 2, Sect. 2

**Clay & Karla Seale
142 Bear Springs Trail
Pipe Creek, TX 78063**

Lot 1, Blk. 2, Sect. 1

**Jan & Elizabeth Serene
P.O. Box 63479
Pipe Creek, TX 78063**

Lots 25, 26 & 27, Blk 2, Sect. 2

**Clifton & Lauren Tierney
P.O. Box 64135
Pipe Creek, TX 78063**

Lot 8, Blk. 1, Sect. 2

**Wayne Van Overborg
181 Twisting Oaks Court
Pipe Creek, TX 78063**

Renter

Lot 14, Blk. 1, Sect. 1

**Ira Werner
P.O. Box 2732
Cypress, CA 90630**

Owner

Lot 14, Blk. 1, Sect. 1

**Andy & Melissa Watson
1545 Bear Springs Trail
Lot 14, Blk 1, Sect. 1**

Lot 16, Blk. 1, Sect. 2

**Kathryn Weidler
1360 Bear Springs Trail
Lot 14, Blk 1, Sect. 1**

Lot 11, Blk. 1, Sect. 2

**TAP FEES PAID
&
METERS INSTALLED**

**CUSTOMERS HAVE NOT CONNECTED TO WATER SYSTEM
APRIL 25, 2014**

James & Diane Estill*
106 Echo Ridge Lane
Murphy, TX 75094**

Lot 5, Blk. 1, Sect. 2

**Shannon Pless*
1814 Mountain Star
San Antonio, TX 78251
address on move-in:
1388 Bear Springs Trail
Pipe Creek, TX 78063**

Lot 12, Blk. 1, Sect. 2

Michael & Kimberly Sayers*
13423 Solar Crest
San Antonio, TX 78245**

Lot 24, Blk. 1, Sect. 2

Jan & Elizabeth Serene
P.O. Box
Pipe Creek, TX 78063**

Lot 8, Blk. 1, Sect. 2

Mrs. H. Thomas Sisk*
12101 Clark Rd.
Worton, MD 21678**

Lot 9, Blk. 1, Sect. 2

*** House currently under construction**

**** Construction beginning soon**

***** No construction planned at present time**