

If to BexarMet, to:

Bexar Metropolitan Water District
P. O. Box 245994
San Antonio, TX 78224

Attention: Thomas C. Moreno
General Manager/CEO

with a copy to:

West & West, Attorneys
2929 Mossrock #204
San Antonio, TX 78230

Attention: North O. West

If to WSI, to:

Water Services, Inc.
P. O. Box 9879
The Woodlands, TX 77387

Attn: Thomas Baudat, President

with a copy to:

Mark Zeppa
Attorney at Law
4833 Spicewood Springs Road, Suite 202
Austin, TX 78759-8436

Any writing which may be mailed pursuant to the foregoing may also be delivered by hand or transmitted by telegraph, telex or telecopier and shall be effective when actually received by the addressee. Either party may, from time to time, specify as its address for purposes of this Agreement, any other address upon the giving of ten days' written notice thereof to the other party.

11.7 Assignment. This Agreement and the rights, obligations and liabilities

hereunder shall be binding upon and inure to the benefit of the successors and assignees of each of the parties hereto, but no rights, obligations or liabilities hereunder shall be assignable or delegable by any party without the prior written consent of the other party hereto.

11.8 No Third Parties. Notwithstanding anything to the contrary contained in this Agreement, especially including the reference herein to BexarMet's assumptions of the Assumed Liabilities and/or the orders, contracts and commitments referred to on Schedule 3.2(h), this Agreement is not intended to, and shall not, create any rights in or confer any benefits upon any person or entity other than the parties hereto, and shall in no way be considered a third party beneficiary contract.

11.9 Incorporation by Reference. All attachments to this Agreement constitute integral parts of this Agreement and are incorporated into this Agreement by this reference. The schedules referred to herein have been separately compiled, and initialed by the undersigned representatives of WSI and BexarMet. All such Schedules, and all Appendices attached hereto, are hereby incorporated herein by reference for all relevant purposes.

11.10 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Texas, applicable to agreement made and to be performed in such jurisdiction.

11.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one counterpart.

11.12 Publicity. Except as required by law, prior to the Closing, neither party shall issue a public announcement regarding the subject matter of this Agreement without the written consent of the other party.

11.13 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior oral or written agreement.

11.14 No Waiver of Rights. While BexarMet shall have the opportunity, as provided herein, to make various inspections, reviews and evaluations and to give various consents related to the Water Systems, under no circumstances shall BexarMet be liable with respect to any such consents or be limited in any manner whatsoever in its ability to rely upon the covenants and representations of WSI made herein.

IN WITNESS WHEREOF, BexarMet and WSI have each caused this Agreement

to be executed, effective as of the date of receipt by Escrow Agent of the earnest money, as evidenced below.

BEXAR METROPOLITAN WATER DISTRICT

BY: Thomas C. Moreno
Thomas C. Moreno, General Manager/CEO

WATER SERVICES, INC.

BY: Thomas Baudat
THOMAS BAUDAT, President

The undersigned hereby contracts and agrees to the terms of paragraph 7.2 hereof, subject to the Closing contemplated hereby.

APEX WATER SERVICES, LLC.

BY: Thomas Baudat
Thomas Baudat, President

ESCROW AGENT RECEIPT

Receipt of three (3) copies of this Agreement of Purchase and Sale, executed on behalf of WSI and Bexar Metropolitan Water District, and together with \$5,000.00 in the form of a Bexar Metropolitan Water District's check # 047143 representing earnest money, are hereby acknowledged this 7 day of NOVEMBER, 2003, ("Effective Date").

STEWART TITLE COMPANY

BY: Christy De

Appendix 1.1

CERTAIN DEFINITIONS

The following terms in the Agreement have the meanings set forth below where used in the Agreement and identified with initial capital letters:

Acquired Assets	Defined in Section 2.2 of the Agreement.
Active Connections	Defined in Section 2.7 of the Agreement.
Affiliate	Any corporation or other entity which directly, or indirectly through one of more subsidiaries or intermediaries, controls, is controlled by, or is under common control with the corporation or other entity which is the point of reference for such determination.
Agreement	Defined in the Preamble to the Agreement.
Assumed Liabilities	Defined in Section 2.4 of the Agreement.
BexarMet	Defined in the Preamble to the Agreement.
CCN	Certificate of Convenience and Necessity No. 11018 issued by the Texas Natural Resource Conservation Commission now known as Texas Commission on Environmental Quality relating to the Bavarian Hills, Coolcrest, Oaks North, Stagecoach Hills, and Country Bend Water Systems in Bexar County and the Oak Village North Water System in Comal County.
Closing Date	Defined in Section 6.2 of the Agreement.
Default	An occurrence which constitutes a breach or default under a contract, order or other commitment, after the expiration of any grace period provided without cure.
Effective Date	Date of Escrow Agent's Receipt of Executed Agreement of Purchase and Sale and Earnest Money.
Encumbrance	Any encumbrance or lien, including, without limitation,

any mortgage, judgment lien, materialmen's lien, mechanic's lien, tax lien, security interest, encroachment, easement or other restriction.

Environmental Requirements

All laws, ordinances, statutes, codes, rules, regulations, agreements, judgments, orders and decrees now or hereafter enacted, promulgated or amended, of the United States, the states, the counties, the cities or any other political subdivisions in which the Water Systems is or was conducted and in which any premises now or formerly utilized in the Water Systems is or was located, and any other political subdivision, agency or instrumentality exercising jurisdiction over WSI or the Water Systems, relating to pollution, protection or regulation of human health, natural resources or the environment, or the emission, discharge, release or threatened release of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or waste of "Hazardous Materials" into the environment (including, without limitation, ambient air, surface water, ground water or land or soil).

Escrow Agent

Defined in Section 2.9 of the Agreement.

Escrow Agreement

Defined in Section 2.1 of the Agreement.

Escrow Closing

The deposit of funds and closing documents called for in Section 2.7 hereof.

Excluded Assets

Defined in Section 2.6 of the Agreement.

Excluded Liabilities

Defined in Section 2.5 of the Agreement.

Financial Statements

Defined in Section 3.2(a) of the Agreement.

Hazardous Materials

Any (a) "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq.) as Conservation and Recovery Act of 1976 (42 U.S.C. Section 9601 et seq.) ("CERCLA"), as amended from time to time and regulations promulgated thereunder,

(c) asbestos; (d) polychlorinated biphenyls; (e) underground storage tanks, whether empty, filled or partially filled with any substance; (f) any substance the presence of which on the premises of the Water Systems is prohibited by applicable law; (g) petroleum or any petroleum product; and (h) any other substance which applicable law requires special handling or notification of any federal, state, or local governmental entity in its collection, processing, handling, storage, treatment or disposal.

**Hazardous
Materials
Contamination**

The contamination (whether presently existing or hereafter occurring) of the premises of the Water Systems or any buildings, facilities, soil, groundwater, air or other elements by Hazardous Materials, or the contamination of the building, facilities, soil, groundwater, air or other elements on or of any other property as a result of Hazardous Materials at any time (whether before or after the date hereof).

Inventory

Described in Section 3.2 hereof.

**Intellectual
Property**

Rights (either through Ownership or through license or sub-license), consisting of, conferred by, or Property otherwise relating to (i) patents and patent applications (including all renewals, extensions or modifications thereof); (ii) trade secrets, including without limitation, know-how, inventions, computerized data and information, computer programs, business records, files and data, discoveries, formulae, production outlines, product designs, manufacturing information, processes and techniques, testing and quality control processes and techniques, drawings and customer lists; (iii) trademarks, service marks, and applications therefore, (iv) copyrights; (v) trade names and (vi) other intellectual property.

Material Event

Any event, condition, circumstance or occurrence which has had or is likely to have a material or adverse effect on the Water Systems or the properties, assets, liabilities (fixed or otherwise) or condition (financial or otherwise) for the Water Systems, including, without limitation, any of the same

resulting from any (1) act of God, flood, windstorm, earthquake, accident, fire, explosion, casualty, riot, labor strike, requisition or taking of property by governmental authority, war, embargo, or other event whether or not outside of the control of WSI; (2) termination, cancellation or substantial modification of any contract, commitment, obligation or business relationship; or (3) default by WSI under any contract, commitment or other obligation.

Ownership

Such ownership as confers upon the person having it good and marketable title to and control over the thing or right owned, free and clear of any and all Encumbrances except Permitted Encumbrances and, in the case of real property, the interest owned is, unless otherwise disclosed on Schedule 3.2(f), fee simple title.

Permitted
Encumbrances

Encumbrances disclosed on Schedule 3.1(h) attached hereto.

Purchase Price

Defined in Section 2.6 of the Agreement.

Title Company

Defined in Section 4.5 of the Agreement.

WARN

Worker Adjustment and Retraining Notification Act.

Water

Defined in Section 3.1(a) of the Agreement.

Water Services,
Inc.

Defined in Recital of the Agreement.

Water Systems

Any and all components of the business of the Bavarian Hills, Coolcrest, Oaks North, Stagecoach Hills, and Country Bend Water Systems in Bexar County and the Oak Village North Water System in Comal County, including, without limitation, the business of extracting, treating, distributing and selling Water to customers in its area.

**WATER SERVICES, INC. SCHEDULES
EXCLUDED ASSETS:**

Schedule 2.3(a)	Cash, Cash Equivalents, Other Accounts Receivables
Schedule 2.3(b)	Real Property
Schedule 2.3(c)	Billing and Collection Office Leases
Schedule 2.3(d)	Billing System and Computers
Schedule 2.3(e)	Personal Property

ASSUMED LIABILITIES:

Schedule 2.4	Assumed Liabilities
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GENERAL REPRESENTATIONS AND WARRANTIES:

Schedule 3.1(h)	Permitted Encumbrances
Schedule 3.1(i)	Consents and Approvals

OTHER REPRESENTATIONS AND WARRANTIES:

Schedule 3.2(a)	Financial Statements*
Schedule 3.2(c)	Customer Accounts Receivable*
Schedule 3.2(e)	Personal Property*
Schedule 3.2(f)	Real Property*
Schedule 3.2(h)	Prepaid Items and
	Orders, Contracts and Commitments for Sale of
	Water
Schedule 3.2(i)	Intellectual Property
Schedule 3.2(j)	Employee Benefit Plans and Employment Contracts
Schedule 3.2(k)	Permits, Approvals and Authorizations
Schedule 3.2(l)	Exceptions to Compliance with Governmental Laws
Schedule 3.2(p)	Environmental Matters
Schedule 3.2(r)	Operating Books and Records
Schedule 3.2(s)	Schedule of Insurance Coverage

SURVEY

Schedule 4.5(b)	Survey Requirements
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*Updated Schedule to be Provided at Closing.

Schedule 2.3

EXCLUDED ASSETS

The following rights, properties and assets of the Water Systems as the same exist as of the Closing.

(a) All cash, certificates of deposit, bank deposits, time deposits, securities all notes, billed accounts receivable and unbilled accounts receivable, including specifically and without limitation those notes, accounts receivable and unbilled accounts receivable listed on Schedule 2.3(a).

(b) All notes, billed accounts receivable and unbilled accounts receivable, including specifically and without limitation those notes, accounts receivable and unbilled accounts receivable;

(c) All prepaid and similar items (other than insurance), including, without limitation, all prepaid expenses, deferred charges, advance payments, and other prepaid items, and including specifically and without limitation;

(d) All inventories, of whatever nature and wherever located, including, without limitation, inventories of raw materials, work-in-process, finished goods, replacement parts, spare parts, operating supplies, and packaging and including specifically and without limitation;

(e) The personal property (whether as owner, lessor, lessee or otherwise) listed on Schedule 2.3(e).

(f) All post office numbers and telephone numbers used or useful in connection with the Business including without limitation those described on Schedule 2.3(f).

(g) The real property described on Schedule 2.3(b), together with the improvements thereon and fixtures related thereto.

(h) The billing and collection office leases listed on Schedule 2.3(c).

(i) The billing system and computers listed on Schedule 2.3(d).

(j) All prepaid insurance and all prepaid and similar items (other than insurance), including, without limitation, all prepaid expenses, deferred charges, advance payments, and other prepaid items.

Schedule 2.3(a)

**EXCLUDED CASH, CASH EQUIVALENTS,
OTHER ACCOUNTS RECEIVABLES**

All cash, certificates of deposit, bank deposits, time deposits, securities and the accounts receivable are excluded from this sale, specifically including the following:

- 1. Security State Bank Checking Account # 1047679**
- 2. Security State Bank Money Market # 7028459**
- 3. Customer accounts receivable for all WSI customers at the day of closing.**
- 4. Any accounts receivable from Apex Water Service**
- 5. Any accounts receivable from Diamond Water Company**
- 6. Any accounts receivable from shareholders**
- 7. CoBank money market account**
- 8. CoBank stock**
- 9. Any utility deposits paid to other utilities.**

Schedule 2.3(b)

EXCLUDED REAL PROPERTY

The following described real property together with the improvements thereon and fixtures related thereto, are excluded from this sale:

1. Garden Oaks PWS# 0940030
2. Cascade PWS# 1300005

3. Schedule 2.3(c)

EXCLUDED BILLING AND COLLECTION OFFICE LEASES

The billing and collection office leases listed below are excluded from this sale:

1. The building located at:
2355 Bulverde Road
Bulverde, Texas 78163

Schedule 2.3(d)

EXCLUDED BILLING SYSTEM AND COMPUTERS

The following described billing system and computers listed below are excluded from this sale:

2 computers located at the leased offices of Apex Water Service. Both computers including all software and data on these computers along with all printers will be excluded.

Schedule 2.3(e)

EXCLUDED PERSONAL PROPERTY

The following personal property, together with all inventories of whatever nature and wherever located, including, without limitation inventories of raw materials, work-in-process, finished goods, replacement parts, spare parts, operating supplies, packaging, scientific instruments of all kinds, test kits, test units, test procedures, machinery, equipment, tooling, masks, molds, jigs, patterns, gauges, materials handling equipment, furniture, office equipment, calculators, and computers.

- 1. All trucks including all materials, supplies and tools carried by these trucks during normal business.**
- 2. 2 backhoes and the trailers used with these backhoes.**
- 3. A golf cart used to read meters.**
- 4. All supplies, furniture and fixtures, office equipment and tools located at the leased office and warehouse of Apex Water Company.**
- 5. Rocksaw**

6. Schedule 2.3(f)

POST OFFICE BOXES:

PO BOX 421
Bulverde, Texas 78163

TELEPHONE NUMBERS:

830.980.3774	Office
888.980.3774	Office toll free
830.438.2721	Fax
830-980-3960	Internet
830-438-2719	Line 2

Schedule 2.4

ASSUMED LIABILITIES

For purposes of this Agreement, the term "Assumed Liabilities" shall mean only the liabilities and obligations of WSI that are specifically identified and described as follows, but only to the extent such liabilities and obligations are due and payable after the Closing. The Assumed Liabilities expressly exclude any of the Excluded Liabilities.

None

Schedule 3.1(h)

PERMITTED ENCUMBRANCES

None

Schedule 3.1(i)

CONSENTS AND APPROVAL

Approval of the Texas Commission on Environmental
Quality (TCEQ) as required by Texas Water Code 13.301
and 30 Tex. Admin. Code 291.109

Schedule 3.2(a)

FINANCIAL STATEMENTS

A listing of financial statements, information and schedules covering the Water Systems (including, without limitation, financial statements for the last three years, true, correct and complete copies of which have been previously delivered to BexarMet (collectively, the "Financial Statements").

Audits for the years 2000, 2001 and 2002, which have previously been given BexarMet.

Schedule 3.2(c)

CUSTOMER ACCOUNTS RECEIVABLE

All customer accounts receivables shall remain the property of WSI. No listing or disclosure is required.

Schedule 3.2(e)

PERSONAL PROPERTY
(1 of 6 Pages)

All personal property (whether as owner, lessor, lessee or otherwise) including, without limitation, all designs, plans, specifications, books, technical specifications, as built construction drawings and utility plans, laboratory equipment, chlorination equipment, water pumps, pipes, manuals, scientific instruments of all kinds, test kits, test units, test procedures, machinery, equipment, tooling, masks, molds, jigs, patterns, gauges, materials handling equipment, furniture, office equipment, calculators, computers and related personal property associated with or related to the conduct of the Water Systems, and all support, maintenance, warranty and similar agreements related to such personal property, and including specifically and without limitation the personal property described or referred to as follows in each individual Water System:

Bavarian Hills Area:

Name of Each Taxing Authority and Tax Account Numbers from each Taxing Authority That Collects Personal Property Taxes on the Property:

Bexar County Tax	Sylvia Romo	90202-771-0010
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Description of Personal Property:

1. 3 – Water Wells – 5 hp
2. 2 – Ground Storage Tanks – 15,000 gal each
3. 2 – 2 hp Booster Pumps
4. 1 – Pressure Tank – Vertical – 3,000 gal
5. 1 – Chlorine Station

Schedule 3.2(e)

PERSONAL PROPERTY
(2 of 6 Pages)

COOLCREST AREA:

Name of Each Taxing Authority and Tax Account Numbers from each Taxing Authority
That Collects Personal Property Taxes on the Property:

Bexar County Tax

Sylvia Romo

90308-015-0960

Description of Personal Property:

Poinciana Site

1. 1 - 4500 gal Pressure Tank
2. 1 - Water Well - 15 hp submersible pump - 6" casing.
3. 3 - 10,000 gal Ground Storage Tanks
4. 1 - chlorine station - with gas chlorinator
5. 2 - 10 hp booster pumps

Madrona Site

1. 1 - Ground Storage Tank - welded steel - 31,000 gal.
2. 1 - Ground Storage Tank - bolted steel - 30,000
3. 1 - Pressure Tank - 10,000 gal
4. 1 - Chlorine Station
5. 1 - Water Well - 20 hp submersible pump - 6" casing
6. 2 - 10 hp Booster Pumps

Schedule 3.2(e)

PERSONAL PROPERTY
(3 of 6 Pages)

OAKS NORTH AREA:

Name of Each Taxing Authority and Tax Account Numbers from each Taxing Authority
That Collects Personal Property Taxes on the Property:

Bexar County Tax Sylvia Romo

91501-110-5000

Description of Personal Property:

1. Lot 7 Water Well Site

- a. 1 – 50' Stand Pipe (42,000 gal)
- b. 1 - water well – 15 hp well pump
- c. 1 – chlorination station
- d. 1 – chlorine booster pump

2. The Park Pump Station

- a. 2 – Ground Storage Tanks – welded steel – 34,000 gal each.
- b. 1 – Booster Pump – 15 hp
- c. 1 – Chlorine Station
- d. 2 – Water Wells – each 10 hp with 6" casing.

3. Red Cloud Plant

- a. 1 – Water Well – 5 hp with 6" casing.
- b. 1 – 10 hp Booster Pumps
- c. 2 – Ground Storage Tanks – welded steel – 10,000 gal each.
- d. Chlorine Station

Schedule 3.2(e)

PERSONAL PROPERTY
(4 of 6 Pages)

STAGECOACH HILLS AREA:

Name of Each Taxing Authority and Tax Account Numbers from each Taxing Authority
That Collects Personal Property Taxes on the Property:

Bexar County Tax	Sylvia Romo	91905-413-0500
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Description of Personal Property:

1. Main Plant Site

- a. 1 – Ground Storage Tank – bolted steel – 30,000 gal.
- b. 2 – 20 hp Booster Pumps
- c. 3 – Water Wells – 15 hp submersibles
- d. 1 – old Storage Tank – bolted steel – (not in use)

2. Stage Coach Hills Upper Plant Site

- a. 2 – Stand Pipes – concrete – 15,000 gal each
- b. 1 – Stand Pipe – bolted steel – 15,000 gal

Schedule 3.2(e)

PERSONAL PROPERTY
(5 of 6 Pages)

COUNTRY BEND AREA:

Name of Each Taxing Authority and Tax Account Numbers from each Taxing Authority
That Collects Personal Property Taxes on the Property:

Bexar County Tax Sylvia Romo

90308-435-0450

Description of Personal Property:

1. Main Pump Station
 - a. 1 - Ground Storage Tank - welded steel - 50,000 gal.
 - b. 1 - Ground Storage Tank - bolted - 30,000 gal.
 - c. 1 - water well - 8" casing - 30 hp submersible pump
 - d. 1 - Pressure Tank - 5,000 gal.
 - e. 1 - chlorine station
 - f. 2 - Booster Pumps - 25 hp.
 - g. 2 - Booster Pumps - 15 hp.
 - h. 1 - Sand Filter
2. Off Site Water Well - 1 well - 10 hp submersible pump
3. Boerne Haze Booster Station
 - a. 3 - Booster Pumps - 5 hp each
 - b. 4 - Small Pressure Tanks - 86 gal each

Schedule 3.2(e)

PERSONAL PROPERTY
(6 of 6 Pages)

OAK VILLAGE NORTH AREA:

Name of Each Taxing Authority and Tax Account Numbers from each Taxing Authority
That Collects Personal Property Taxes on the Property:

We are not paying a personal property tax for this subdivision.

Description of Personal Property:

1. 9 - Water Wells - all 6" casing
 - 2 - 20 hp submersible pumps
 - 3 - 15 hp submersible pumps
 - 2 - 10 hp submersible pumps
 - 1 - 7.5 hp submersible pump
 - 1 - 5 hp submersible pump

The Park Pump Station

 - a. 1 - 25 hp Booster Pump
 - b. 1 - 20 hp Booster Pump - Dead
 - c. 1 - Ground Storage Tank - steel welded - 26,000 gal.
 - d. 1 - Ground Storage Tank - concrete - 8,500 gal. - not in use
 - e. 1 - Pressure Tank - 5,000 gal. - not in use

Fire Station Pump Station

 - f. 1 - Ground Storage Tank - welded steel - 56,000 gal.
 - g. 1 - 15 hp Booster Pump
 - h. 1 - 20 hp Booster Pump
 - i. 1 - Chlorine Station
2. Creek Pump Station
 - a. 2 - 25 hp Booster Pump
 - b. 1 - 20 hp Booster Pumps
 - c. 1 - Ground Storage Tank - bolted steel - 125,000 gal.
 - d. 1 - Chlorine Station
3. Hill Top Pump Station
 - a. 2 - Ground Storage Tanks - welded steel
 - 1 - 79,000 gal
 - 1 - 76,000 gal
 - b. 2 - 2 hp Booster Pumps
 - c. 1 - Pressure Tank - galvanized - 200 gal
 - d. 1 - Chlorine Station

Schedule 3.2(f)

REAL PROPERTY
(Page 1 of 6)

The following described real property, including easements, together with the improvements thereon and fixtures related thereto, including without limitation, water wells and storage tanks, and all easements related to, in each individual water system shown by (i) the complete legal description, (ii) the recording (Volume and Page) information showing where the instrument under which WSI acquired title to the Real Property is recorded; (iii) the tax appraisal district identification number(s); (iv) the real property's tax account number(s) from each taxing authority that collects taxes on the Real Property:

BAVARIAN HILLS AREA:

- (i) the complete legal description:

CB 4837B Blk 2 Lot W310 .7480 Acres

- (ii) the recording (Volume and Page) information showing where the instrument under which WSI acquired title to the Real Property is recorded:

0.245 acres of land out of Lot 3, Blk 2 Vol. 7000, Page 209. Bexar County

- (iii) the names of the tax appraisal district(s) and identification number(s);

Bexar County Tax	Sylvia Romo	04837-202-0033
Comal County Tax	Sherman Krause	10-0027-0270-01

- (iv) the name of each real property taxing authority and the real property's tax account number(s) from each taxing authority that collects taxes on the Real Property:

Bexar County Tax	04837-202-0033
Flood	
Alamo Comm. College	
Hospital Dist	
Bexar County	
River Authority	
Comal County Tax	10-0027-0270-01
Comal ISD	

Schedule 3.2(f)

REAL PROPERTY
(Continued - Page 2 of 6)

COOLCREST AREA:

- (i) the complete legal description:

CB 4360A Blk 8 Lot 53
CB 4360A Blk 4 Lot 2

- (ii) the recording (Volume and Page) information showing where the instrument under which WSI acquired title to the Real Property is recorded:

Lot 2 Blk 4 and Lot 53 Blk 8 Vol. 6100, Page 159-162. Bexar County

- (iii) the names of the tax appraisal district(s) and identification number(s);

Bexar County Tax	Sylvia Romo	04360-008-0530
Bexar County Tax	Sylvia Romo	04360-004-0020

- (iv) the name of each real property taxing authority and the real property's tax account number(s) from each taxing authority that collects taxes on the Real Property:

Bexar County Tax	Sylvia Romo	04360-008-0530
Bexar County Tax	Sylvia Romo	04360-004-0020
Flood		
Alamo Comm. College		
Hospital District		
Bexar County		
River Authority		
Northside ISD		

Schedule 3.2(f)

REAL PROPERTY
(Continued - Page 3 of 6)

OAKS NORTH AREA:

- (i) the complete legal description:
CB 4852A Blk 17 Lot 7
CB 4852A Blk 10 Lot 7
CB 4852A Blk 19 Lot 1
CB 4852A Blk 19 Lot 2
- (ii) the recording (Volume and Page) information showing where the instrument under which WSI acquired title to the Real Property is recorded:
Lot 7 Blk 10, Lot 1 Blk 19, Lot Lot 2 Blk 19, and Lot 7 Blk 17 Vol. 6100, Page 208. Bexar County
- (iii) the names of the tax appraisal district(s) and identification number(s);
Bexar County Tax Sylvia Romo 04852-117-0070
04852-110-0070
04852-119-0010
04852-119-0020
Comal County Tax Sherman Krause 40-0350-1105-00
40-0350-2185-00
40-0350-1990-00
40-0350-2180-00

Schedule 3.2(f)

REAL PROPERTY
(Continued - Page 4 of 6)

STAGECOACH HILLS AREA:

- (i) the complete legal description:
CB 4704A Blk 1 Lot E
CB 4704A Lot 1 W
CB 4704B IRR 15.33 of 95
CB 4704A Blk 1 Lot 10 Except E IRR 15 ft
- (ii) the recording (Volume and Page) information showing where the instrument under which WSI acquired title to the Real Property is recorded:
- Being a portion of Lot 95 Vol. 4960, Page 225, being the south 15ft and the West 50 Feet of Lot 24 Vol. 4900, Page 60, Portion of Lot 10 Blk 1 Vol. 4900, Page 60, All of Lot 1 Blk 2 Vol. 4900, Page 60. Bexar County
- (iii) the names of the tax appraisal district(s) and identification number(s);

Bexar County Tax	Sylvia Romo	04704-002-0101
		04704-002-0241
		04704-020-0951
		04704-002-0100

the name of each real property taxing authority and the real property's tax account number(s) from each taxing authority that collects taxes on the Real Property:

Bexar County Tax	Sylvia Romo
Flood	
Alamo Comm College	
Hospital District	
Bexar County	
River Authority	
Northside ISD	

Schedule 3.2(f)

REAL PROPERTY
(Continued - Page 5 of 6)

COUNTRY BEND AREA:

- (i) the complete legal description:

Unit 4A, Blk 7, Lot PT 30, Acres .0577
CB 4706A P-100 (Well Site)
CB 4706A Blk 2 Lot 24

- (ii) the recording (Volume and Page) information showing where the instrument under which WSI acquired title to the Real Property is recorded:

Vol. 8900 Pages 87-88 Bexar County

- (iii) the names of the tax appraisal district(s) and identification number(s);

Kendall Appraisal Dist	Alton Pfeiffer	2-5150-0407-0301
Bexar County Tax	Sylvia Romo	04706-102-0240
Bexar County Tax	Sylvia Romo	04706-100-1000

- (iv) the name of each real property taxing authority and the real property's tax account number(s) from each taxing authority that collects taxes on the Real Property:

Bexar County Tax	Sylvia Romo
Flood	
Alamo Comm College	
Hospital District	
Bexar County	
River Authority	
Northside ISD	
Boerne ISD	Alton Pfeiffer

Schedule 3.2(f)

REAL PROPERTY

(Continued - Page 6 of 6)

OAK VILLAGE NORTH AREA:

- (i) the complete legal description:
**A-366 Sur 342 Private Park
Lot 340, Lot 645, Lot 646, Lot 649, Lot 650, Lot 651, Lot 652, Lot 713, Lot 714,
Lot 715, Lot 716, Lot 717, Lot 718, Lot 719, Lot 725, Lot 726, Lot 728, Lot 819**
- (ii) the recording (Volume and Page) information showing where the instrument under which WSI acquired title to the Real Property is recorded:
**Lot 340 Vol. 3, Pages 22-23, Lot 645, 646, 649, 650, 651, 652, 713, 714, 715,
716, 725, 726, 728, 758, 759, 819 Vol. 3, Pages 83-86. Lot 717, 718, 719 Vol. 3,
Pages 83-84. Comal County.**
- (iii) the names of the tax appraisal district(s) and identification number(s);
**Comal County Tax Office Sherman Krause 400552072200
400552172000, 400552324000, 400552324500, 400552326000
400552326500, 400552327000, 400552327500, 400552358000
400552358500, 400552359000, 400552359500, 400552360000
400552360500, 400552361000, 400552364000, 400552354500
400552365500, 400552411000, 400552411500**
- (iv) the name of each real property taxing authority and the real property's tax account number(s) from each taxing authority that collects taxes on the Real Property:
**Comal County Tax Office
Comal County
City of Bulverde
Comal ISD
EMS Dist 1
EMS Dist 5
FM & Lateral Rd**

Schedule 3.2(h)

**PREPAID ITEMS AND
ORDERS, CONTRACTS AND COMMITMENTS FOR SALE OF WATER**

All orders, contracts, and commitments for the sale of Water or otherwise related to the Water Systems, including, without limitation all such items relating to distribution and similar arrangements and including specifically and without limitation those orders, contracts and commitments described or referred to as follows:

None

NOTE: Those indicated by * above are required for the assignment of WSI's rights.**

Those indicated by ** above are prepaid expenses, deferred charges, advance payments and other deferred charges and prepaid items.

Schedule 3.2(i)

INTELLECTUAL PROPERTY

WSI has (and after Closing BexarMet will have) exclusive Ownership of the intellectual Property listed as "owned" herebelow. WSI has (and after Closing BexarMet will have) the exclusive right under valid and subsisting license, technology or similar agreements referred to herein to employ the intellectual Property listed as "licensed" herebelow in its conduct of the Water Systems subject only to the terms of any such agreements referred to herebelow.

Owned Intellectual Property:

NONE, Except as shown on attached list

Licensed Intellectual Property:

NONE, Except as shown on attached list

EMPLOYEE BENEFIT PLANS

A full and complete listing of all employee benefit plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") which are maintained by or contributed to by WSI in connection with the Water Systems (all such plans are herein referred to as "Plans"), and all employee stock option or stock purchase, bonus, incentive compensation, severance pay and fringe benefit arrangements of WSI relating to, or applicable to the Water Systems or its employees, are described as follows:

None

EMPLOYMENT CONTRACTS

WSI has no employment contracts with anyone. All field and office employees are hired through affiliate Apex Water Services, LLC. The shareholders/directors/officers: Thomas Baudat, Ronald Payne and David Wallace do not have formal employment contracts.

PERMITS, APPROVALS AND AUTHORIZATIONS

All permits, approvals, authorizations, licenses, qualifications and the like issued by any governmental unit, agency, board, body or instrumentality, whether federal, state or local, and all applications therefore, including specifically and without limitation the CCN, and the permits, approvals and qualifications described or referred to as follows:

Texas Commission on Environmental Quality (TCEQ)

Certificate of Convenience (CCN) No. 11106 relating only to the Bavarian Hills, Coolcrest, Oaks North, Stagecoach Hills, Country Bend and Oak Village North Water Systems. WSI has other water systems which are not part of this sale that will remain under CCN No. 11106.

EXCEPTIONS TO COMPLIANCE WITH GOVERNMENTAL LAWS

At all times prior to the Closing, the conduct of WSI and the Water Systems has been in all material respects in full compliance with all statutes, ordinances, codes, restrictions, regulations and other governmental requirements, except as expressly set forth below:

WSI has used gas chlorine in its water systems and has, at various times, maintained gas chlorine in sufficient quantities on site to warrant registration with the state and local authorities as a hazardous material. This has not always occurred. To management's knowledge and belief, no spill or excursion of gas chlorine or other hazardous or toxic material has ever occurred on any WSI property during WSI's ownership or control. No potentially hazardous or toxic material has been stored or used on any WSI property except in strict conformance with its intended use and manufacturer's instruction on such use, i.e., pesticide or herbicide to maintain well sites or dry chlorine powder as a disinfection agent during water line repairs in conformance with TCEQ public health rules.

Other violations are reflected in the TCEQ inspection reports maintained in WSI's Bulverde offices which are voluminous and which are incorporated herein by reference and which will be made available to BexarMet for inspection and copying.

Schedule 3.2(p)

ENVIRONMENTAL MATTERS

Except as set forth herebelow, neither WSI nor, to the knowledge of WSI, any other person, has generated, processed, stored, transported, recycled, disposed of or otherwise handled any Hazardous materials, as defined in paragraph 3.2 hereof, in any manner that has resulted, or that could result, in a violation of Environmental Requirements or in a Hazardous Materials Contamination, beneath or about any of the premises used in the conduct of the Water Systems, or previously used in the conduct of the Water Systems, or in any manner otherwise related to the operation of the Water Systems. In addition, except as set forth below, WSI has no knowledge that any property adjoining the premises used in the conduct of the Water Systems, or previously used in the conduct of the Water Systems, is being used, or has ever previously been used, for the generation, processing, storage, transport, recycling, disposal or other handling of any Hazardous Materials.

WSI has used gas chlorine in its water systems and has, at various times, maintained gas chlorine in sufficient quantities on site to warrant registration with the state and local authorities as a hazardous material. This has not always occurred. To management's knowledge and belief, no spill or excursion of gas chlorine or other hazardous or toxic material has ever occurred on any WSI property during WSI's ownership or control. No potentially hazardous or toxic material has been stored or used on any WSI property except in strict conformance with its intended use and manufacturer's instruction on such use, i.e., pesticide or herbicide to maintain well sites or dry chlorine powder as a disinfection agent during water line repairs in conformance with TCEQ public health rules.

Schedule 3.2(r)

OPERATING BOOKS AND RECORDS

All operating books and records, including without limitation all inventory records, customer lists, supplier lists and records, well and system water pumpage histories and all sales and promotional literature, correspondence and files, and including specifically and without limitation the books and records described or referred to as follows:

Electronic data from the utility billing system copies of which will be made available to BexarMet before closing

Schedule 3.2(s)

SCHEDULE OF INSURANCE COVERAGE

A list of the policies and contracts (including insurer, named insured, type of coverage, limits of insurance, required deductibles or co-payments, annual premiums and expiration date) for fire, casualty, liability and other forms of insurance maintained by, or for the benefit of, WSI, is as follows:

WSI is co-insured with affiliates Diamond Water Company, a Texas corporation, and Apex Water Services, LLC, a Texas limited liability company. Copies of the consolidated schedules of coverages are attached.



West American Insurance Company

Stock Insurance Company, Herein Called The Company
9450 Seward Road, Fairfield, Ohio 45014
www.ocas.com

**Commercial General Liability
Declarations Schedule**

Policy Number:
BKW (04) 52 21 04 58
Policy Period:
From **09/20/2003** to **09/20/2004**
12:01 am Standard Time
at Insured Mailing Location

Named Insured

Agent

APEX WATER SERVICES CO LLC;
(SEE GENERAL ENDORSEMENT)

(830) 625-7511
COMALTEX INS AGENCY INC

SUMMARY OF CLASSIFICATIONS - BY LOCATION - continued

CLASSIFICATION - 99943

Water Companies

Products-Completed Operations Are Subject To The General
Aggregate Limit.

COVERAGE DESCRIPTION	PREMIUM BASED ON - Individual Payroll	RATED / PER	PREMIUM
		1,000	
Premise/Operations	31,900 Dollars Of Payroll	35.315	\$1,127.00
Total:			\$1,127.00

SUMMARY OF OTHER COVERAGE

COVERAGE DESCRIPTION		PREMIUM
Master Pak	See Policy Forms and Endorsements List.	Included

To report a claim, call your Agent or 1-800-FON-OHIO (1-800-366-6446)
For General Information call, 1-800-THE-OHIO (1-800-843-6446)



Stock Insurance Company, Herein Called The Company
8450 Seward Road, Fairfield, Ohio 45014
www.ecas.com

Policy Number:
BKW (04) 52 21 04 58
Policy Period:
From 08/20/2003 to 09/20/2004
12:01 am Standard Time
at Insured Mailing Location

Commercial General Liability Declarations

Basis: Occurrence

Named Insured

Agent

APEX WATER SERVICES CO LLC;
(SEE GENERAL ENDORSEMENT)

(830) 625-7511
COMALTEX INS AGENCY INC

SUMMARY OF LIMITS AND CHARGES

Commercial General Liability Limits of Insurance	DESCRIPTION	LIMIT
	Each Occurrence Limit	1,000,000
	Damage To Premises Rented To You Limit (Any One Premises)	100,000
	Medical Expense Limit (Any One Person)	10,000
	Personal and Advertising Injury Limit	1,000,000
	General Aggregate Limit (Other than Products - Completed Operations)	2,000,000
	Products - Completed Operations Aggregate Limit	2,000,000

Explanation of Charges

DESCRIPTION	PREMIUM
General Liability Schedule Totals	8,190.00
Certified Acts of Terrorism Coverage	66.00

Total Provisional Charges:

\$8,256.00

Note: This is not a bill.

SUMMARY OF LOCATIONS YOU OWN, RENT, OR OCCUPY



2285 BULVERDE RD # D, BULVERDE, TX 78183-4583

To report a claim, call your Agent or 1-800-FON-OHIO (1-800-366-6446)
For General Information call, 1-800-THE-OHIO (1-800-843-8448)

NAME OF COMPANY THE OHIO CASUALTY INSURANCE COMPANY

NAMED INSURED APEX WATER SERVICES CO LLC;

POLICY NO.BXO (04) 52 21 04 58

INTERNAL USE

GENERAL ENDORSEMENT

GENERAL ENDORSEMENT IDENTIFICATION: 1

NAMED INSURED CONTINUATION PAGE:

FIRST NAMED INSURED:
APEX WATER SERVICES CO LLC

OTHER NAMED INSUREDS:
WATER SERVICES INC
DIAMOND WATER COMPANY

* * * * *

OC70040801 CLASS E

END OF GENERAL ENDORSEMENTS

POLICY DECLARATIONS

NAME OF COMPANY THE OHIO CASUALTY INSURANCE COMPANY

NAMED INSURED APEX WATER SERVICES CO LLC;

POLICY NO.BXO (04) 52 21 04 58

EXPLANATION OF CHARGES

RECAP OF SCHEDULE TOTALS
COMMERCIAL UMBRELLA SCHEDULE TOTALS - ANNUAL
COMMERCIAL UMBRELLA PREMIUM

\$3,561.00

TOTAL PROVISIONAL PREMIUM

\$3,561.00

SCHEDULE OF FORMS AND ENDORSEMENTS

FORMS/ENDORSEMENTS APPLICABLE TO THIS POLICY AT TIME OF ISSUE

CU60020697	CU60390103	CU60400103	CU60470697
CU60791098	CU61060697	CU61290697	CU61460697
CU61500697	CU61870102	CU63440697	CU63740697
CU64001101	CU64340999	CU64401101	NP72480103
NP72490103			

CONTINUED ON PAGE 3

BXC0104152210458 STL 00024

OC70040801 CLASS E

POLICY DECLARATIONS

NAME OF COMPANY THE OHIO CASUALTY INSURANCE COMPANY

NAMED INSURED APEX WATER SERVICES CO LLC;

POLICY NO.BXO (04) 52 21 04 58

TX MUTUAL	:EMPLOYERS LIABILITY*	:BODILY INJURY
TSF 1083622	:	:BY ACCIDENT
09/20/03 TO 09/20/04	:	: \$1,000,000
	:	: EACH ACCIDENT
	:	:
	:	:BODILY INJURY
	:	:BY DISEASE
	:	: \$1,000,000
	:	: POLICY LIMIT
	:	:
	:	: \$1,000,000
	:	: EACH EMPLOYEE
	:	:

* EMPLOYERS LIABILITY COVERAGE IS NOT APPLICABLE TO EMPLOYEES
SUBJECT TO THE WORKERS COMPENSATION LAWS OF NY AND MA.

END OF DECLARATIONS

BXO(04)52210458 STL 00024

OC70040801 CLASS E

Schedule 4.5(b)

SURVEY REQUIREMENTS

The Surveys of the real property shall consist of plats and field notes, prepared by a Registered Public Surveyor or Professional Engineer. The Surveys shall be dated after the Effective Date, and shall (i) contain a north arrow and reflect the actual dimensions of the entirety of the property (reflecting the length and direction of the perimeter boundaries), the number of square feet contained in the property, the location and dimensions of any highways, streets, roads, easements, right-of-way, setback lines, encroachments, or overlaps located on or adjacent to the property (and indicating the names of any such highways, streets, roads, etc.), and the outside boundary lines and dimensions of any improvements located thereon, (ii) identify any easements, setback lines or other matters located thereon by recording reference, (iii) include the surveyor's registered number and seal, the date of the survey and a certificate satisfactory to BexarMet, (iv) reflect that the property has access to and from a publicly dedicated street, road, or highway, (v) reflect that the property is not located within any flood plain except as shown thereon, and (vi) be sufficient to cause the Title Company to delete, except for "shortages in area," the printed exception for "discrepancies, conflicts or shortages in area or boundary lines, or any encroachments or protrusions, or any overlapping of improvements" in the Title Policy to be delivered pursuant to the Agreement. The certificate on the Surveys shall be specifically addressed to both BexarMet and the Title Company verifying the above information. The surveyor shall comply with all applicable survey laws in the preparation and completion of the survey documents employed in closing this transaction.

EXHIBITS:

EXHIBIT 'A' - Form Escrow Agreement

EXHIBIT 'B' - Opinion letter

EXHIBIT 'A' - Form Escrow Agreement

**ESCROW AGREEMENT
AND FIRST AMENDMENT TO PURCHASE AGREEMENT**

This Escrow Agreement dated _____, 2003 (herein, together with any amendments or supplements hereto, called the "Escrow Agreement") is entered into by and among **BEXAR METROPOLITAN WATER DISTRICT**, a conservation and reclamation district and political subdivision of the State of Texas, (herein called "Bexar Met"), **WATER SERVICES, INC.**, (herein called "WSI") and **STEWART TITLE COMPANY**, as escrow agent (herein, together with any successor in such capacity, called "Escrow Agent").

WITNESSETH:

WHEREAS, BexarMet and WSI have entered into an Agreement of Purchase and Sale (the "Purchase Agreement") effective _____, 2003, wherein and herein capitalized terms, to the extent not in conflict therewith, have the same meaning or definition, for the sale by WSI to BexarMet of virtually all of the assets that WSI owns with regard to the Water Systems enumerated in the Purchase Agreement.

WHEREAS, in connection with the sale under the Purchase Agreement, BexarMet is to acquire that certain Texas Commission on Environmental Quality ("TCEQ") Certificate of Convenience and Necessity numbered 11106, or the part thereof applicable to the Water Systems (the "CCN"); and

WHEREAS, the TCEQ has approved the sale and transfer of the Water Systems, but has not completed the administrative act of issuing its Order (herein so called), transferring the CCN from WSI to BexarMet; and

WHEREAS, BexarMet and WSI are herewith closing the transaction contemplated by the Purchase Agreement, including the delivery and recordation of the Closing Documents (herein so called) while holding WSI's cash proceeds portion of the Purchase Price and BexarMet's Note to WSI in escrow;

WHEREAS, BexarMet and WSI desire WSI's cash proceeds as set out on line 509 of the Settlement Statement and designated as "Sellers Proceeds Escrowed", BexarMet's note (the "Note"), and the Third Party Creditor's Release Documents be deposited in escrow with Escrow Agent, to be later disbursed, delivered and/or recorded as provided in Section 3.02 hereof, pending the issuance of the Order and satisfaction of the Opinion Letter requirement set forth hereinafter in this Escrow Agreement; and

WHEREAS, the Escrow Agent is willing to accept its responsibilities hereunder upon the terms and conditions herein expressed;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, BexarMet, WSI and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

I. ARTICLE

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below and above when they are used in this Escrow

Agreement.

"BexarMet Representative" means either Thomas C. Moreno in his capacity as General Manager/CEO, or Sylvia Gamez in her capacity as Deputy General Manager, of BexarMet or any other officer of BexarMet designated by a BexarMet Representative in writing to the Escrow Agent.

"Closing Documents" shall mean bills of sale, water rights transfers, assignments, general warranty deeds, certificate verifying accuracy of WSI's representations and warranties contained in the Agreement, a title insurance policy, evidence that Assets are free and clear of any security interests, the Release Documents, and such other instruments satisfactory in form and substance to Purchaser and title company pursuant to which WSI shall convey the Assets to Purchaser free and clear of all liens, claims, charges or encumbrances whatsoever and any right of any party and BexarMet's Note;

"Escrow Agreement" means this Agreement.

"Escrow Closing" means the closing of the transaction and the deposit of funds and documents called for in Sections 2.01 and 2.02 below.

"Escrow Fund" means the Escrow Fund created by this Escrow Agreement to be administered by the Escrow Agent pursuant to the provisions of this Escrow Agreement.

"WSI Representative" means THOMAS BAUDAT in his capacity as President of WSI, or any other person designated in writing by Thomas Baudat.

"Mandatory Transfer Date" means 365 days from the Effective Date of the Purchase Agreement, or such other later date expressly agreed to in writing by BexarMet for purposes of this Escrow Agreement.

"Order" means originals or certified copies of a signed Order issued by the TCEQ transferring the CCN from WSI to BexarMet.

"Permitted Investments" means direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America or any money market fund, which invests solely in obligations of the Department of Treasury of the United States of America.

"Settlement Statement" means the closing statement approved by the parties hereto at Closing, closing the sale evidenced by the Purchase Agreement and any amendments thereto, which Settlement Statement may be appropriately adjusted upon disbursement of the escrow funds, if necessary ("Adjusted Settlement Statement").

The terms "Escrow Agreement", "BexarMet", "WSI" and "Escrow Agent", when they are used in this Escrow Agreement, shall have the meanings assigned to them in the preamble to this Escrow Agreement. All other defined terms shall have the meanings assigned to them herein or in the Purchase Agreement.

Section 1.02 Interpretations. The titles and headings of the articles and sections of this Escrow agreement have been inserted for convenience and reference only, and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof.

II. ARTICLE

DEPOSIT OF FUNDS AND DOCUMENTS

Section 2.01 Deposit of Funds. At Closing, BexarMet shall deposit, or cause to be