

Harvest Hills Treatment, Ltd
Projected Balance Sheet
December 31, 2012

ASSETS

Current Assets:

Castroville Checking	\$70,785.68	
Due from Partners	<u>1,000.00</u>	
Total Current Assets		\$71,785.68

Property, Plant, and Equipment:

Sewer Plant and Equipment	735,384.85	
Land	165,451.00	
Accum. Depreciation-Property&Eqt	(265,437.00)	
Total Property, Plant, and Equipment		<u>635,398.85</u>

Total Assets: \$707,184.53

LIABILITIES AND CAPITAL

Current Liabilities:

A/P Harvest Hills, Ltd	111,829.74	
A/P Uptmore Family, Ltd	104,768.60	
A/P J.H. Uptmore-Land	75,268.65	
A/P Uptmore, LLC	<u>500.89</u>	
Total Current Liabilities		292,367.88

Long-Term Liabilities	<u>651,489.00</u>	
		<u>651,489.00</u>
Total Liabilities		943,856.88

Capital		
Retained Earnings	(230,918.35)	
Net Income	<u>(5,754.00)</u>	
		<u>(236,672.35)</u>
		<u><u>707,184.53</u></u>

**SEWER UTILITY TARIFF
FOR**

Harvest Hills Treatment, Ltd.
(Utility Name)

8400 Blanco Road, Suite 204
(Business Address)

San Antonio, Texas, 78216
(City, State, Zip Code)

(210) 696-2522
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

Pending

This tariff is effective in the following county:

Guadalupe

This tariff is effective in the following cities or unincorporated towns (if any):

None

This tariff is effective in the following subdivisions or systems:

Harvest Hills

This tariff is effective for the following water quality permit number(s):

WQ 14037-001

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

TABLE OF CONTENTS

SECTION 1.0 - RATE SCHEDULE	3
SECTION 2.0 -- SERVICE RULES AND POLICIES	5
SECTION 3.0 -- EXTENSION POLICY	11
APPENDIX A -- SAMPLE SERVICE AGREEMENT	15

Harvest Hills Treatment, Ltd.
Utility Name

Sewer Utility Tariff

SECTION 1.0 - RATE SCHEDULE

Meter Size Monthly Minimum Charge Gallonage Charge

All meter sizes: Flat Rate \$41.00/month

FORM OF PAYMENT: The utility will accept the following form(s) of payment:

Cash X, Check X, Money Order X, Credit Card _____, Other (specify) _____

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

REGULATORY ASSESSMENT 1.0%

TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE \$1,000

TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL CONNECTION. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Large Connection Tap) Actual Cost

TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR TAP SIZE INSTALLED.

Harvest Hills Treatment, Ltd.
Utility Name

Sewer Utility Tariff

SECTION 1.0 - RATE SCHEDULE

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00).....\$25.00
b) Customer's request that service be disconnected.....\$N/A

TRANSFER FEE.....\$25.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL)\$5.00

TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE\$25.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)\$50.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE.....\$N/A

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

SECTION 2.0 -- SERVICE RULES AND POLICIES

The utility will have the most current Texas Commission on Environmental Quality Rules, Chapter 291, Water Utility Regulation, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.01 - Application for Sewer Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff), will be signed by the applicant, any required fees (deposits, reconnect, tap, extension fees, etc. as applicable) will be paid and easements, if required, will be granted before service is provided by the utility. A separate application or contract will be made for each service location.

Section 2.02 - Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the TCEQ Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant that a complaint may be filed with the Commission.

Section 2.03 - Fees and Charges & Easements Required Before Service Can Be Connected

(A) Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant may be required to pay a deposit as provided for in Section 1.02 - Miscellaneous Fees of this tariff. The utility will keep records of the deposit and credit interest in accordance with TCEQ Rules.

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

Nonresidential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit - If service is not connected, or after disconnection of service, the utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The utility may refund the residential customer's deposit at any time prior to termination of utility service but must refund the deposit plus interest for any residential customer who has paid 18 consecutive billings without being delinquent.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

(B) Tap or Reconnect Fees

A new customer requesting service at a location where service has not previously been provided must pay a tap fee as provided in Section 1. A customer requesting service where service has previously been provided must pay a reconnect fee as provided in Section 1. Any applicant or existing customer required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to request for payment and/or commencement of construction. If the applicant or existing customer does not believe that these costs are reasonable or necessary, the applicant or existing customer shall be informed of their right to appeal such costs to the TCEQ or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's or existing customer's property(ies) is located.

Fees in addition to the regular tap fee may be charged to cover unique costs not normally incurred as permitted by 30 T. A. C. 291.86(a)(1)(C) if they are listed on this approved tariff. For example, a road bore for customers outside a subdivision or residential area could be considered a unique cost.

(C) Easement Requirement

Where recorded public utility easements on the service applicant's property do not exist or public road right-of-way easements are not available to access the applicant's property, the Utility may require the applicant to provide it with a permanent recorded public utility easement on and across the applicant's real property sufficient to provide service to that applicant. Such easement(s) shall not be used for the construction of production, storage, transmission or pressure facilities unless they are needed for adequate service to that applicant.

Section 2.04 - Utility Response to Applications for Service

After the applicant has met all the requirements, conditions and regulations for service, the utility will install tap and utility cut-off and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction required and an expected date of service.

Except for good cause where service has previously been provided, service will be reconnected within one working day after the applicant has met the requirements for reconnection.

Section 2.05 - Customer Responsibility

The customer will be responsible for furnishing and laying the necessary customer service pipe from the tap location to the place of consumption. Customers will not be allowed to use the utility's cutoff.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

2.06 Access to Customer's Premises

All customers or service applicants shall provide access to utility cutoffs at all times reasonably necessary to conduct ordinary utility business and after normal business hours as needed to protect and preserve the integrity of the public drinking water supply.

Section 2.07 - Back Flow Prevention Devices

No water connection shall be made to any establishment where an actual or potential contamination or system hazard exists without an approved air gap or mechanical backflow prevention assembly. The air gap or backflow prevention assembly shall be installed in accordance with the American Water Works Association (AWWA) standards C510, C511 and AWWA Manual M14 or the University of Southern California Manual of Cross-Connection Control, current edition. The backflow assembly installation by a licensed plumber shall occur at the customer's expense.

The back flow assembly shall be tested upon installation by a recognized prevention assembly tester and certified to be operating within specifications. Back flow prevention assemblies which are installed to provide protection against high health hazards must be tested and certified to be operating within specifications at least annually by a recognized back flow prevention device tester. The maintenance and testing of the back flow assembly shall occur at the customer's expense.

Section 2.10 - Billing

(A) Regular Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of bills for utility service will be at least sixteen (16) days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the utility will constitute proof of the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the utility or the utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next workday after the due date.

(B) Late Fees

A late penalty of either \$5.00 or 10.0% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

(C) Information on Bill

Each bill will provide all information required by the TCEQ Rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a local or toll-free telephone number (or numbers) to which customers can direct questions about their utility service.

(D) Prorated Bills

If service is interrupted or seriously impaired for 24 consecutive hours or more, the utility will prorate the monthly base bill in proportion to the time service was not available to reflect this loss of service.

Section 2.11- Payments

All payments for utility service shall be delivered or mailed to the utility's business office. If the business office fails to receive payment prior to the time of noticed disconnection for non-payment of a delinquent account, service will be terminated as scheduled. Utility service crews shall not be allowed to collect payments on customer accounts in the field.

Payment of an account by any means that has been dishonored and returned by the payor or payee's bank, shall be deemed to be delinquent. All returned payments must be redeemed with cash or valid money order. If a customer has two returned payments within a twelve month period, the customer shall be required to pay a deposit if one has not already been paid.

Section 2.12 - Service Disconnection

(A) With Notice

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the TCEQ Rules.

(B) Without Notice

Utility service may also be disconnected without notice for reasons as described in the TCEQ Rules.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

Section 2.13 - Reconnection of Service

Utility personnel must be available during normal business hours to accept payments on the day service is disconnected and the following day unless service was disconnected at the customer's request or due to a hazardous condition.

Service will be reconnected within 24 hours after the past due bill, reconnect fees and any other outstanding charges are paid or the conditions which caused service to be disconnected are corrected.

Section 2.14 - Service Interruptions

The utility will make all reasonable efforts to prevent interruptions of service. If interruptions occur, the utility will re-establish service within the shortest possible time. Except for momentary interruptions due to automatic equipment operations, the utility will keep a complete record of all interruptions, both emergency and scheduled and will notify the Commission in writing of any service interruptions affecting the entire system or any major division of the system lasting more than four hours. The notice will explain the cause of the interruptions.

Section 2.15 - Quality of Service

The utility will plan, furnish, and maintain and operate production, treatment, storage, transmission, and collection facilities of sufficient size and capacity to provide continuous and adequate service for all reasonable consumer uses and to treat sewage and discharge effluent of the quality required by its discharge permit issued by the Commission. Unless otherwise authorized by the Commission, the utility will maintain facilities as described in the TCEQ Rules.

Section 2.16 - Customer Complaints and Disputes

If a customer or applicant for service lodges a complaint, the utility will promptly make a suitable investigation and advise the complainant of the results. Service will not be disconnected pending completion of the investigation. If the complainant is dissatisfied with the utility's response, the utility must advise the complainant that he has recourse through the Texas Commission on Environmental Quality complaint process. Pending resolution of a complaint, the commission may require continuation or restoration of service.

The utility will maintain a record of all complaints which shows the name and address of the complainant, the date and nature of the complaint and the adjustment or disposition thereof, for a period of two years after the final settlement of the complaint.

SECTION 2.0 -- SERVICE RULES AND POLICIES (Continued)

In the event of a dispute between a customer and a utility regarding any bill for utility service, the utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the utility will inform the customer that a complaint may be filed with the Commission.

Section 2.17 - Customer Liability

Customer shall be liable for any damage or injury to utility-owned property shown to be caused by the customer.

SECTION 3.0 -- EXTENSION POLICY

Section 3.01 - Standard Extension Requirements

LINE EXTENSION AND CONSTRUCTION CHARGES: NO CONTRIBUTION IN AID OF CONSTRUCTION MAY BE REQUIRED OF ANY CUSTOMER EXCEPT AS PROVIDED FOR IN THIS APPROVED EXTENSION POLICY.

The Utility is not required to extend service to any applicant outside of its certified service area and will only do so under terms and conditions mutually agreeable to the Utility and the applicant, in compliance with TCEQ rules and policies, and upon extension of the Utility's certified service area boundaries by the TCEQ.

The applicant for service will be given an itemized statement of the costs, options such as rebates to the customer, sharing of construction costs between the utility and the customer, or sharing of costs between the customer and other applicants prior to beginning construction.

The Utility is not required to extend service to any applicant outside of its certificated service area and will only do so under terms and conditions mutually agreeable to the Utility and the applicant, in compliance with TCEQ rules and policies, and upon extension of the Utility's certificated service area boundaries by the TCEQ.

Section 3.02 - Costs Utilities and Service Applicants Shall Bear

Within its certified area, the utility will pay the cost of the first 200 feet of any water main or distribution line necessary to extend service to an individual residential customer within a platted subdivision.

However, if the residential customer requesting service purchased the property after the developer was notified in writing of the need to provide facilities to the utility, the utility may charge for the first 200 feet. The utility must also be able to document that the developer of the subdivision refused to provide facilities compatible with the utility's facilities in accordance with the utility's approved extension policy after receiving a written request from the utility.

Residential customers will be charged the equivalent of the costs of extending service to their property from the nearest collection line even if that line does not have adequate capacity to serve the customer. However, if the customer places unique, non-standard service demands upon the system, the customer may be charged the additional cost of extending service to and throughout their property, including the cost of all necessary transmission and storage facilities necessary to meet the service demands anticipated to be created by that property.

SECTION 3.0 -- EXTENSION POLICY
(Continued)

Unless an exception is granted by the TCEQ's Executive Director, the residential service applicant shall not be required to pay for costs of main extensions greater than 6" in diameter for gravity wastewater lines.

Exceptions may be granted by the TCEQ Executive Director if

- § adequate service cannot be provided to the applicant using the maximum line sizes listed due to distance or elevation, in which case, it shall be the utility's burden to justify that a larger diameter pipe is required for adequate service;
- § or larger minimum line sizes are required under subdivision platting requirements or building codes of municipalities within whose corporate limits or extraterritorial jurisdiction the point of use is located; or the residential service applicant is located outside the CCN service area.

If an exception is granted, the Utility shall establish a proportional cost plan for the specific extension or a rebate plan which may be limited to seven years to return the portion of the applicant's costs for oversizing as new customers are added to ensure that future applicants for service on the line pay at least as much as the initial service applicant.

For purposes of determining the costs that service applicants shall pay, commercial customers with service demands greater than residential customer demands in the certified area, industrial, and wholesale customers shall be treated as developers.

If an applicant requires service other than the standard service provided by the utility, such applicant will be required to pay all expenses incurred by the utility in excess of the expenses that would be incurred in providing the standard service and connection beyond 200 feet and throughout his property including the cost of all necessary transmission facilities.

The utility will bear the full cost of any over-sizing of sewer mains necessary to serve other customers in the immediate area. The individual residential customer shall not be charged for any additional treatment facilities. Contributions in aid of construction of individual residential customers for production, storage, treatment or transmission facilities unless otherwise approved by the Commission under this specific extension policy.

SECTION 3.0 -- EXTENSION POLICY
(Continued)

Section 3.03 - Contributions in Aid of Construction

Developers may be required to provide contributions in aid of construction in amounts sufficient to furnish the development with all facilities necessary to provide for reasonable local demand requirements and to comply with Texas Commission on Environmental Quality minimum design criteria for facilities used in the production, collection, transmission, pumping, or treatment of sewage or Texas Commission on Environmental Quality minimum requirements. For purposes of this subsection, a developer is one who subdivides or requests more than two meters on a piece of property. Commercial, industrial, and wholesale customers will be treated as developers.

Any applicant who places unique or non-standard service demands on the system may be required to provide contributions in aid of construction for the actual costs of any additional facilities required to maintain compliance with the Texas Commission on Environmental Quality minimum design criteria for water production, treatment, pumping, storage and transmission.

Any service extension to a subdivision (recorded or unrecorded) may be subject to the provisions and restrictions of 30 TAC 291.86(d). When a developer wishes to extend the system to prepare to service multiple new connections, the charge shall be the cost of such extension, plus a pro-rata charge for facilities which must be committed to such extension compliant with the Texas Commission on Environmental Quality minimum design criteria. As provided by 30 T.A.C. 291.85(e)(3), for purposes of this section, commercial, industrial, and wholesale customers shall be treated as developers.

A utility may only charge a developer standby fees for unrecovered costs of facilities committed to a developer's property under the following circumstances:

- \$ Under a contract and only in accordance with the terms of the contract; or
- \$ if service is not being provided to a lot or lots within two years after installation of facilities necessary to provide service to the lots has been completed and if the standby fees are included on the utility's approved tariff after a rate change application has been filed. The fees cannot be billed to the developer or collected until the standby fees have been approved by the commission or executive director.
- \$ for purposes of this section, a manufactured housing rental community can only be charged standby fees under a contract or if the utility installs the facilities necessary to provide individually metered service to each of the rental lots or spaces in the community.

SECTION 3.0 -- EXTENSION POLICY
(Continued)

Section 3.04 - Appealing Connection Costs

The imposition of additional extension costs or charges as provided by Sections 3.0 - Extension Policy of this tariff shall be subject to appeal as provided in this tariff, TCEQ rules, or the rules of such other regulatory authority as may have jurisdiction over the utility's rates and services. Any applicant required to pay for any costs not specifically set forth in the rate schedule pages of this tariff shall be given a written explanation of such costs prior to payment and/or commencement of construction. If the applicant does not believe that these costs are reasonable or necessary, the applicant shall be informed of the right to appeal such costs to the TCEQ or such other regulatory authority having jurisdiction over the utility's rates in that portion of the utility's service area in which the applicant's property(ies) is located.

Section 3.05 - Applying for Service

The Utility will provide a written service application form to the applicant for each request for service received by the Utility's business offices. A separate application shall be required for each potential service location if more than one service connection is desired by any individual applicant. Service application forms will be available at the Utility's business office during normal weekday business hours. Service applications will be sent by prepaid first class United States mail to the address provided by the applicant upon request. Completed applications should be returned by hand delivery in case there are questions which might delay fulfilling the service request. Completed service applications may be submitted by mail if hand delivery is not possible.

Where a new tap or service connection is required, the service applicant shall be required to submit a written service application and request that a tap be made. A diagram, map, plat, or written metes and bounds description of precisely where the applicant desires each tap or service connection is to be made and, if necessary, where the meter is to be installed, along the applicant's property line may also be required with the tap request. The actual point of connection and meter installation must be readily accessible to Utility personnel for inspection, servicing, and meter reading while being reasonably secure from damage by vehicles and mowers. If the Utility has more than one main adjacent to the service applicant's property, the tap or service connection will be made to the Utility's nearest service main with adequate capacity to service the applicant's full potential service demand. Beyond the initial 200 feet, the customer shall bear only the equivalent cost of extending from the nearest main. If the tap or service connection cannot be made at the applicant's desired location, it will be made at another location mutually acceptable to the applicant and the Utility. If no agreement on location can be made, the applicant may refer the matter to the TCEQ for resolution.

SECTION 3.0 -- EXTENSION POLICY
(Continued)

Section 3.06 - Qualified Service Applicant

A "qualified service applicant" is an applicant who has: (1) met all of the Utility's requirements for service contained in this tariff, TCEQ rules and/or TCEQ order, (2) has made payment or made arrangement for payment of tap fees, (3) has provided all easements and rights-of-way required to provide service to the requested location, (4) delivered an executed customer service inspection certificate to the Utility, if applicable, and (5) has executed a customer service application for each location to which service is being requested.

The Utility shall serve each qualified service applicant within its certified service area as soon as practical after receiving a completed service application. All service requests will be fulfilled within the time limits prescribed by TCEQ rules once the applicant has met all conditions precedent to achieving "qualified service applicant" status. If a service request cannot be fulfilled within the required period, the applicant shall be notified in writing of the delay, its cause and the anticipated date that service will be available. The TCEQ service dates shall not become applicable until the service applicant has met all conditions precedent to becoming a qualified service applicant as defined by TCEQ rules.

Section 3.07 - Developer Requirements

As a condition of service to a new subdivision, the Utility shall require a developer (as defined by TCEQ rule) to provide permanent recorded public utility easements as a condition of service to any location within the developer's property.

APPENDIX A -- SAMPLE SERVICE AGREEMENT

From 30 TAC Chapter 290.47(b), Appendix B

SERVICE AGREEMENT

- I. **PURPOSE.** The NAME OF SEWER SYSTEM 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 NAME OF SEWER SYSTEM will begin service. In addition, when service to an existing connection has been suspended or terminated, the sewer 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.

III. SERVICE AGREEMENT. The following are the terms of the service agreement between the NAME OF SEWER SYSTEM (the Sewer System) and NAME OF CUSTOMER (the Customer).

- A. The Sewer System will maintain a copy of this agreement as long as the Customer and/or the premises is connected to the Sewer 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 Sewer 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 Sewer System's normal business hours.
- C. The Sewer 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 Sewer System. Copies of all testing and maintenance records shall be provided to the Sewer System.

IV. ENFORCEMENT

If the Customer fails to comply with the terms of the Service Agreement, the Sewer 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: _____



Castroville State Bank

502 Paris Street • P.O. Box 519
Castroville, Texas 78009-0519
(830) 538-2201 • (830) 931-2201 • Fax (830) 931-3118

March 25, 2004

JAMES W. TONDRE
President

Harvest Hills Treatment, LTD
Mr. Jack G. Uptmore, Managing Partner
of HH Treatment, LLC, General Partner
3740 Colony Dr., Suite 170
San Antonio, Texas 78230

Dear Mr. Uptmore:

We are pleased to advise that Castroville State Bank ("Bank") has approved your request for a real estate loan as described herein based on the information and documents you have submitted and the Bank's approval of the items you are required to submit in connection with your request for this loan. Our agreement to make the loan is subject to Borrower's compliance with each of the terms and conditions set forth in this letter which are conditions to closing or which are agreements that remain in effect during the term of the loan or any renewals or extensions thereof.

I. Terms of the Loan:

- A. Borrower: Harvest Hills Treatment, LTD.
- B. Principal Amount: \$720,000.00.
- C. Purpose: Construction of wastewater treatment facility and disposal site in Marion, Guadalupe County, Texas.
- D. Term: Interest is payable in semi-annual payments beginning six months from the date of real estate loan note and continuing regularly thereafter until the said sum has been duly paid. Principal will be paid as follows:

Upon start of Phase I development, principal reduction of \$170,316.00
Upon start of Phase II development, principal reduction of \$172,123.00
Upon start of Phase III development, principal reduction of \$188,780.00
Upon start of Phase IV development, principal reduction of \$188,781.00

All principal and interest is due and payable in five years from the date of the note, this being the maturity date of the note.

- E. Interest Rate: The initial interest rate of this loan shall be a fixed rate of interest at six and one-half percent (6.50%), per annum for the first five years.
- F. Provision for Taxes and Insurance: There will be no requirements for the prepayment of the estimated annual taxes and insurance as the Mortgagor will pay these direct and when requested, furnish validated receipts annually to the Bank. Failure to do so may, at its option, cause the Bank to declare the unpaid principal balance and earned interest on the note immediately due and to initiate foreclosure on the lien.
- G. Security for the Loan: The security for the loan will be a valid first lien Deed of Trust in favor of James W. Tondre, Trustee, covering a 60.7849 acre tract of land, more or less, being a Wastewater Treatment Facility and Disposal Site, situated in the William Leman Survey No. 32, Abstract No. 217, Guadalupe County, Texas plus improvements -AND- the personal guaranty of James H. Uptmore a/k/a J. H. Uptmore, Janice A. Uptmore, Jack G. Uptmore and Susan G. Uptmore -AND- a corporate guaranty of J. H. Uptmore and Associates, Inc.
- H. Prepayment. Borrower shall have the right to prepay all or part of the note any time prior to maturity without penalty.
- I. Required Notice: THIS LOAN IS PAYABLE IN FULL AT MATURITY. YOU MUST REPAY THE ENTIRE PRINCIPAL BALANCE OF THE LOAN AND UNPAID INTEREST THEN DUE. THE BANK IS UNDER NO OBLIGATION TO REFINANCE THE LOAN AT THAT TIME. YOU WILL, THEREFORE, BE REQUIRED TO MAKE PAYMENT OUT OF OTHER ASSETS THAT YOU MAY OWN, OR YOU WILL HAVE TO FIND ANOTHER LENDER, WHICH MAY BE THE BANK YOU HAVE THIS LOAN WITH, WILLING TO LEND YOU THE MONEY. IF YOU REFINANCE THIS LOAN AT MATURITY, YOU MAY HAVE TO PAY SOME OR ALL OF THE CLOSING COSTS NORMALLY ASSOCIATED WITH A NEW LOAN EVEN IF YOU OBTAIN REFINANCING FROM THE SAME BANK.

II. Loan Documents.

The loan will be evidenced by the Borrower's Promissory Note containing the terms described above, the Deed of Trust, and any other documents required by the Bank and its Attorney.

McGowen Law Offices, Inc. will be preparing the required loan documents and will be representing Casarville State Bank, however, if you want to have an attorney review the loan documents at your additional expense, please let us know.

III Conditions to Closing.

- A. A Mortgagee's Title Policy issued to the Bank, with arbitration clause deleted, by an Abstract Company that is acceptable to the Bank, insuring that fee simple title to the property is vested in Borrower and that the Bank's Deed of Trust is the valid first lien thereon.
- B. The Bank is not requesting an updated survey at this time, but will require a flood zone designation.

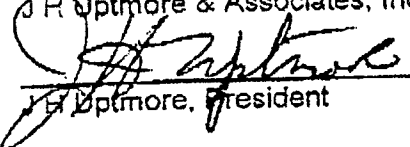
- C. This commitment is subject to the Bank receiving an appraisal in an amount satisfactory to the Bank to cover loan amount.
- D. Insurance policy with Mortgagee's loss payable clause in favor of the Bank with a policy limit, as well as flood insurance, if applicable, in an amount satisfactory to the Bank.
- E. Copy of permit to build, if applicable.
- F. All property taxes paid current.
- G. Resolution stating Partners of the Company and authorizing the borrowing of funds.

IV. General Requirements.

- A. Regardless of whether the loan contemplated herein is completed, the Borrower will pay all costs, fees and expenses incident hereto including, but not limited to, the Bank's reasonable attorney fees incurred in connection with the preparation and/or review of the loan documents and approval of closing and all title insurance provisions and recording fees.
- B. Evidence that appropriate legal documents have been recorded in the office of the County Clerk of Guadalupe County, Texas, with all filing fees thereon paid, prior to the commencement of any construction upon, or any delivery of materials to the security property and prior to the recordation in the Office of the County Clerk of Guadalupe County of either a written contract for the improvements or an affidavit of an oral agreement to furnish materials or provide labor for the improvements.
- C. The Bank's construction advances shall be predicated on the completion certificates submitted to and approved by a Bank Officer.
- D. In the event the security property is conveyed at any time after the loan is closed, the Bank or its assigns shall have the option and right to declare the entire amount of indebtedness owing due and payable.
- E. There shall be no secondary mortgage placed upon the security property without the written consent of the Bank.
- F. The Bank reserves the right to refuse to close this loan upon advice or opinion of legal counsel in connection with the validity of the lien to be created or if any of the statements are found to be false or misleading in any material respect.
- G. Neither this commitment nor the loan proceeds shall be assignable without the prior written consent of the Bank.
- H. The Bank reserves the right to require appraisals and surveys during the term of the loan at Borrower's expense when mandated by banking regulations.

Harvest Hills Treatment, LTD
March 25, 2004

Page Five

J R Uptmore & Associates, Inc.

J R Uptmore, President

cc: McGowen Law Offices, Inc.

First American Title Insurance Company of Texas
Attn: Mr. Justin Rowland, Vice President
Commercial Division

copy
HARVEST HILLS TREATMENT LTD
100 BLANCO ROAD SUITE 204
SAN ANTONIO, TX 78216

account holder's name and address: "I" means the account holder named above. If there is more than one, "I" means all account holders jointly and each account holder separately.

Date: 03-19-2008

Assignment of deposit or share account: For value received, I assign and transfer to you, and I give you a security interest in the following account(s) CASTROVILLE STATE BANK CERTIFICATE OF DEPOSIT #19161 IN THE AMOUNT OF 170,316.00 @4.85% IN THE NAME OF UPTMORE FAMILY LIMITED PARTNERSHIP, JHU LLC, GENERAL PARTNER

and any renewals or substitutions. These account(s) will be referred to as the collateral in the rest of this agreement. The collateral is held with CASTROVILLE STATE BANK

PO BOX 519
CASTROVILLE, TX 78009

which will be referred to as the depository in the rest of this agreement. The collateral includes all funds now in the accounts listed plus all additions of any kind and from any source, made at any time before the release of this agreement in writing.

Secured debt(s): This agreement is made to secure the payment of:

[] all present and future debts, of every kind and description which:

may now or hereafter owe to you, no matter how or when these debts arise. (We intend this paragraph to be very broad. For example, "debts" include loans or credit purchases, made by or transferred to you, as well as debts arising from any other relationship such as check overdrafts, forgeries, or returned deposits. These also include debts arising from any capacity [maker, co-maker, endorser, surety, guarantor].) If more than one person or entity is listed, then all joint and separate debts of all those listed are secured.

[X] the following described debt(s), plus all extensions, renewals, modifications and substitutions: LOAN #445910 DATED 5/13/04 IN THE AMOUNT OF \$720,000.00

Notice to depository:

Date: 03-19-2008

CASTROVILLE STATE BANK
PO BOX 519
CASTROVILLE, TX 78009

[] This confirms our oral notice dated

Please take notice of this agreement and confirm your receipt of this notice and your acceptance of its terms by completing the acknowledgement portion and returning a copy to the secured party.

By:

For the secured party

CASTROVILLE STATE BANK
P.O. BOX 519
CASTROVILLE, TX 78009

Secured party's name and address: "You" means the secured party named above, your successors and assigns.

Additional terms: The following terms are also part of this agreement:

- (1) This agreement will last until you release it in writing, and you are not required to release it until the secured debts are paid in full.
- (2) While this agreement is in effect, neither I nor anyone else (except you, the secured party) can withdraw all or any part of the collateral.
- (3) No joint owner, beneficiary, surviving spouse or representative of my estate gets any rights in the collateral in the event of my death or incapacity until the secured debts are paid in full.
- (4) You have the right to withdraw all or any part of the collateral and apply the withdrawal toward the payment of the secured debt(s), even if the withdrawal causes a penalty. If a secured debt is in default you can exercise this right without any notice to me or my consent (unless such notice or consent is required by law and cannot be waived). You have the right to sign my name (or sign your name as my attorney in fact) to exercise the rights given to you in this agreement.
- (5) I represent and promise that no other person or entity has any rights in the collateral that have priority over those I am giving you here and that no part of the collateral is exempt or protected by law from this agreement.
- (6) The rights and remedies I am giving you here are in addition to any stated in any other agreements. If there is more than one debt secured, more than one type of collateral (including collateral outside of this agreement) or more than one debtor liable, it is entirely in your discretion as to the order and timing of remedies you select.
- (7) I neither assume nor am excused from personal liability for any of the secured debts merely by making this agreement; my personal liability will be determined by referring to other documents. I do assume personal liability for the warranties and representations made in this agreement.
- (8) A debt secured by this agreement (whether specifically listed or not) includes all sums that could possibly be due under the debt.
- (9) I specifically request and direct the depository to honor and accept this agreement and its terms.

Signature(s) of account holder(s): By signing here we accept the terms of this agreement and acknowledge receipt of a copy of this agreement and acknowledge receipt of a copy of this agreement.

HARVEST HILLS TREATMENT LTD

J H UPTMORE

JACK UPTMORE

Acknowledgement by the depository:

Date:

To: CASTROVILLE STATE BANK
P.O. BOX 519
CASTROVILLE, TX 78009

We have received your notice of this agreement. We agree that no account holder or any other person (other than you, the secured party) has any right to make any withdrawals from the collateral until this agreement is released in writing by you.

By:

For the depository

Release by secured party:

Date:

To: CASTROVILLE STATE BANK
PO BOX 519
CASTROVILLE, TX 78009

This is to advise you that the assignment and security interest in the collateral described above has been released and the original certificate, or passbook or other evidence of the collateral (if any) has been returned to the account holder(s).

By:

For the secured party

GENERAL PROVISIONS. Each Debtor's obligations under this Agreement are independent of the obligations of any other Debtor. Secured Party may sue each Debtor individually or together with any other Debtor. Secured Party may release any part of the Property and Debtor will remain obligated under this Agreement. The duties and benefits of this Agreement will bind the successors and assigns of Debtor and Secured Party. No modification of this Agreement is effective unless made in writing and signed by Debtor and Secured Party. Whenever used, the plural includes the singular and the singular includes the plural. Time is of the essence.

APPLICABLE LAW. This Agreement is governed by the laws of the state in which Secured Party is located. In the event of a dispute, the exclusive forum, venue, and place of jurisdiction will be the state in which Secured Party is located, unless otherwise required by law. If any provision of this Agreement is unenforceable by law, the unenforceable provision will be severed and the remaining provisions will still be enforceable.

NAME AND LOCATION. Debtor's name indicated on page 1 is Debtor's exact legal name. If Debtor is an individual, Debtor's address is Debtor's principal residence. If Debtor is not an individual, Debtor's address is the location of Debtor's chief executive offices or sole place of business. If Debtor is an entity organized and registered under state law, Debtor has provided Debtor's state of registration on page 1. Debtor will provide verification of registration and location upon Secured Party's request. Debtor will provide Secured Party with at least 30 days notice prior to any change in Debtor's name, address, or state of organization or registration.

WARRANTIES AND REPRESENTATIONS. Debtor has the right, authority, and power to enter into this Agreement. The execution and delivery of this Agreement will not violate any agreement governing Debtor or Debtor's property, or to which Debtor is a party. Debtor makes the following warranties and representations which continue as long as this Agreement is in effect:

- (1) Debtor is duly organized and validly existing in all jurisdictions in which Debtor does business;
- (2) the execution and performance of the terms of this Agreement have been duly authorized, have received all necessary governmental approval, and will not violate any provision of law or order;
- (3) other than previously disclosed to Secured Party, Debtor has not changed Debtor's name or principal place of business within the last 10 years and has not used any other trade or fictitious name; and
- (4) Debtor does not and will not use any other name without Secured Party's prior written consent.

Debtor owns all of the Property, and Secured Party's claim to the Property is ahead of the claims of any other creditor, except as otherwise agreed and disclosed to Secured Party prior to any advance on the Secured Debts. The Property has not been used for any purpose that would violate any laws or subject the Property to forfeiture or seizure.

DUTIES TOWARD PROPERTY. Debtor will protect the Property and Secured Party's interest against any competing claim. Except as otherwise agreed, Debtor will keep the Property in Debtor's possession at the address indicated on page 1 of this Agreement. Debtor will keep the Property in good repair and use the Property only for purposes specified on page 1. Debtor will not use the Property in violation of any law and will pay all taxes and assessments levied or assessed against the Property. Secured Party has the right of reasonable access to inspect the Property, including the right to require Debtor to assemble and make the Property available to Secured Party. Debtor will immediately notify Secured Party of any loss or damage to the Property. Debtor will prepare and keep books, records, and accounts about the Property and Debtor's business, to which Debtor will allow Secured Party reasonable access.

Debtor will not sell, offer to sell, license, lease, or otherwise transfer or encumber the Property without Secured Party's prior written consent. Any disposition of the Property will violate Secured Party's rights, unless the Property is inventory sold in the ordinary course of business at fair market value. If the Property includes chattel paper or instruments, either as original collateral or as proceeds of the Property, Debtor will record Secured Party's interest on the face of the chattel paper or instruments.

If the Property includes accounts, Debtor will not settle any account for less than the full value, dispose of the accounts by assignment, or make any material change in the terms of any account without Secured Party's prior written consent. Debtor will collect all accounts in the ordinary course of business, unless otherwise required by Secured Party. Debtor will keep the proceeds of the accounts, and any goods returned to Debtor, in trust for Secured Party and will not commingle the proceeds or returned goods with any of Debtor's other property. Secured Party has the right to require Debtor to pay Secured Party the full price on any returned items. Secured Party may require account debtors to make payments under the accounts directly to Secured Party. Debtor will deliver the accounts to Secured Party at Secured Party's request. Debtor will give Secured Party all statements, reports, certificates, lists of account debtors (showing names, addresses, and amounts owing), invoices applicable to each account, and any other data pertaining to the accounts as Secured Party requests.

If the Property includes farm products, Debtor will provide Secured Party with a list of the buyers, commission merchants, and selling agents to or through whom Debtor may sell the farm products. Debtor authorizes Secured Party to notify any additional parties regarding Secured Party's interest in Debtor's farm products, unless prohibited by law. Debtor agrees to plant, cultivate, and harvest crops in due season. Debtor will be in default if any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetland to produce or to make possible the production of an agricultural commodity, further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

If Debtor pledges the Property to Secured Party (delivers the Property into the possession or control of Secured Party or a designated third party), Debtor will, upon receipt, deliver any proceeds and products of the Property to Secured Party. Debtor will provide Secured Party with any notices, documents, financial statements, reports, and other information relating to the Property Debtor receives as the owner of the Property.

PERFECTION OF SECURITY INTEREST. Debtor authorizes Secured Party to file a financing statement covering the Property. Debtor will comply with, facilitate, and otherwise assist Secured Party in connection with obtaining possession or control over the Property for purposes of perfecting Secured Party's interest under the Uniform Commercial Code.

INSURANCE. Debtor agrees to keep the Property insured against the risks reasonably associated with the Property until the Property is released from this Agreement. Debtor may choose the insurance company, subject to Secured Party's approval, which will not be unreasonably withheld. Debtor will give Secured Party and the insurance provider immediate notice of any loss. Secured Party may apply the insurance proceeds toward the Secured Debts. Secured Party may require additional security as a condition of

permitting any insurance proceeds to be used to repair or replace the Property. If Secured Party acquires the Property in damaged condition, Debtor's rights to any insurance policies and proceeds will pass to Secured Party to the extent of the Secured Debts. Debtor will immediately notify Secured Party of the cancellation or termination of insurance.

COLLATERAL PROTECTION INSURANCE NOTICE

As part of this Agreement, Debtor gives Secured Party a security interest in the Property described on page 1. Debtor is required to maintain insurance on the Property in an amount Secured Party specifies, subject to applicable law. Debtor agrees to purchase the insurance from an insurer authorized to do business in Texas or an eligible surplus lines insurer to the extent permitted by law. Debtor will name Secured Party as loss payee on the insurance policy. Debtor may be required to deliver a copy of the property insurance policy and proof of payment of premiums to Secured Party. If Debtor fails to meet any of these requirements, Secured Party may obtain collateral protection insurance on Debtor's behalf. Secured Party is not required to purchase any type or amount of insurance. Secured Party may obtain replacement cost insurance if authorized under applicable law, subject to policy limits. If Secured Party purchases insurance for the Property, Debtor will be responsible for the cost of that insurance, including interest and any other charges incurred by Secured Party in connection with the placement of collateral protection insurance to the extent permitted by law. Debtor understands that insurance obtained by Secured Party may cost significantly greater than the cost of insurance Debtor could have obtained. Amounts that Debtor owes are due and payable upon demand or on such other terms as Secured Party requires to the extent permitted by law.

AUTHORITY TO PERFORM. Debtor authorizes Secured Party to do anything Secured Party deems reasonably necessary to protect the Property and Secured Party's interest in the Property. If Debtor fails to perform any of Debtor's duties under this Agreement, Secured Party is authorized without notice to Debtor to perform the duties or cause them to be performed. These authorizations include, but are not limited to, permission to pay for the repair, maintenance, and preservation of the Property and take any action to realize the value of the Property. Secured Party's authority to perform for Debtor does not create an obligation to perform, and Secured Party's failure to perform will not preclude Secured Party from exercising any other rights under the law or this Agreement.

If Secured Party performs for Debtor, Secured Party will use reasonable care. Reasonable care will not include any steps necessary to preserve rights against prior parties or any duty to take action in connection with the management of the Property.

If Secured Party comes into possession of the Property, Secured Party will preserve and protect the Property to the extent required by law. Secured Party's duty of care with respect to the Property will be satisfied if Secured Party exercises reasonable care in the safekeeping of the Property or in the selection of a third party in possession of the Property.

Secured Party may enforce the obligations of an account debtor or other person obligated on the Property. Secured Party may exercise Debtor's rights with respect to the account debtor's or other person's obligations to make payment or otherwise render performance to Debtor, and enforce any security interest that secures such obligations.

PURCHASE MONEY SECURITY INTEREST. If the Property includes items purchased with the Secured Debts, the Property purchased with the Secured Debts will remain subject to Secured Party's security interest until the Secured Debts are paid in full. Payments on any non-purchase money loan also secured by this Agreement will not be applied to the purchase money loan. Payments on the purchase money loan will be applied first to the non-purchase money portion of the loan, if any, and then to the purchase money portion in the order in which the purchase money Property was acquired. If the purchase money Property was acquired at the same time, payments will be applied in the order Secured Party selects. No security interest will be terminated by application of this formula.

DEFAULT. Debtor will be in default if:

- (1) Debtor (or Obligor, if not the same) fails to make a payment in full when due;
- (2) Debtor fails to perform any condition or keep any covenant on this or any debt or agreement Debtor has with Secured Party;
- (3) a default occurs under the terms of any instrument or agreement evidencing or pertaining to the Secured Debts;
- (4) anything else happens that either causes Secured Party to reasonably believe that Secured Party will have difficulty in collecting the Secured Debts or significantly impairs the value of the Property.

REMEDIES. After Debtor defaults and after Secured Party gives any legally required notice and opportunity to cure the default, Secured Party may at Secured Party's option do any one or more of the following:

- (1) make all or any part of the Secured Debts immediately due and accrue interest at the highest post-maturity interest rate;
- (2) require Debtor to gather the Property and make it available to Secured Party in a reasonable fashion;
- (3) enter upon Debtor's premises and take possession of all or any part of Debtor's property for purposes of preserving the Property or its value and use and operate Debtor's property to protect Secured Party's interest, all without payment or compensation to Debtor;
- (4) use any remedy allowed by state or federal law, or provided in any agreement evidencing or pertaining to the Secured Debts.

If Secured Party repossesses the Property or enforces the obligations of an account debtor, Secured Party may keep or dispose of the Property as provided by law. Secured Party will apply the proceeds of any collection or disposition first to Secured Party's expenses of enforcement, which includes reasonable attorneys' fees and legal expenses to the extent not prohibited by law, and then to the Secured Debts. Debtor (or Obligor, if not the same) will be liable for the deficiency, if any.

By choosing any one or more of these remedies, Secured Party does not give up the right to use any other remedy. Secured Party does not waive a default by not using a remedy.

WAIVER. Debtor waives all claims for damages caused by Secured Party's acts or omissions where Secured Party acts in good faith.

NOTICE AND ADDITIONAL DOCUMENTS. Where notice is required, Debtor agrees that 10 days prior written notice will be reasonable notice to Debtor under the Uniform Commercial Code. Notice to one party is notice to all parties. Debtor agrees to sign, deliver, and file any additional documents and certifications Secured Party considers necessary to perfect, continue, or preserve Debtor's obligations under this Agreement and to confirm Secured Party's lien status on the Property.

445910

Promissory Note

Date As of May 13, 2004

Borrower HARVEST HILLS TREATMENT, LTD, a Texas Limited Partnership, acting by and through, HHI TREATMENT, LLC, a Texas Limited Liability Company, its general partner

Borrower's Mailing Address (including county) 3740 Colony Dr., Suite 170, San Antonio, Bexar County, Texas 78230.

Lender CASTROVILLE STATE BANK

Place for Payment (including county). P O Box 519, 502 Paris Street, Castroville, Medina County, Texas 78009, or any other place that Lender may designate in writing

Principal Amount Seven Hundred Twenty Thousand and No/100---- (\$720,000.00) Dollars.

Annual Interest Rate on Unpaid Principal from Date of Funding. Six and one-half percent (6 50%) per annum

Maturity Date May 13, 2009

Annual Interest Rate on Matured, Unpaid Amounts Eighteen percent (18%) per annum

Terms of Payment (principal and interest) Interest is due and payable in semi-annual payments, beginning six (6) months from the date of this note, being the 13 day of Nov., 2004. The Principal will be paid as follows:

Upon start of Phase I development, principal reduction of \$170,316.00.

Upon start of Phase II development, principal reduction of \$172,123.00.

Upon start of Phase III development, principal reduction of \$188,780.00

Upon start of Phase IV development, principal reduction of \$188,781.00

Payments will be applied first to accrued interest and the remainder to reduction of the Principal Amount. In any event, this Note is due and payable in full no later than the 13th day of May, A. D., 2009. The principal on this Note will be advanced in multiple advances and on different dates. The interest shall not begin to accrue until the actual advance of Principal.

Security for Payment: This note is secured by a Deed of Trust Security Agreement of even date from Borrower to James W. Tondre, Trustee, that conveys the following real property, to-wit:

60.7849 Acre Tract of land being a Wastewater Facility and Disposal Site, situated in the William Leman Survey No. 92, Abstract No. 217, Guadalupe County, Texas, being out of a called 206.47 Acre Tract as recorded in Volume 941, Page 0676, Official Public records of Guadalupe County, Texas, said 60.7849 Acres being further described by metes and bounds on the attached Exhibit "A" of one (1) page, and upon the attached Exhibit "B" of one (1) page, being a Survey Plat prepared by Klein Engineering, Inc., to each of which reference is here made and the terms of each of which are hereby incorporated by reference, the same as if copied herein fully at length.

All fixtures, supplies, building materials, and other goods of every nature now or hereafter located, used or intended to be located or used on the Property.

[Signature]
[Signature]
92

All plans and specifications for development of or construction of improvements on the Property,

All contracts and subcontracts relating to the construction of improvements on the Property;

All accounts, contract rights, instruments, documents, general intangibles, and chattel paper arising from or by virtue of any transactions relating to the Property,

All permits, licenses, franchises, certificates, and other rights and privileges obtained in connection with the Property,

All proceeds payable or to be payable under each policy of insurance relating to the Property, and

All products and proceeds of the foregoing

Other Security for Payment None

Borrower promises to pay to the order of Lender the Principal Amount plus interest at the Annual Interest Rate. This note is payable at the Place for Payment and according to the Terms of Payment. All unpaid amounts are due by the Maturity Date. After maturity, Borrower promises to pay any unpaid principal balance plus interest at the Annual Interest Rate on Matured, Unpaid Amounts.

If Borrower defaults in the payment of this note or in the performance of any obligation in any instrument securing or collateral to this note, Lender may declare the unpaid principal balance, earned interest, and any other amounts owed on the note immediately due. Borrower and each surety, endorser, and guarantor waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration or maturity, protest, and notice of protest, to the extent permitted by law.

Borrower also promises to pay reasonable attorney's fees and court and other costs if this note is placed in the hands of an attorney to collect or enforce the note. These expenses will bear interest from the date of advance at the Annual Interest Rate on Matured, Unpaid Amounts. Borrower will pay Lender these expenses and interest on demand at the Place for Payment. These expenses and interest will become part of the debt evidenced by the note and will be secured by any security for payment.

Borrower may prepay this note in any amount at any time before maturity without penalty.

Prepayments shall be applied to installments on the last maturing principal, and interest on that prepaid principal shall immediately cease to accrue.

Interest on the debt evidenced by this note will not exceed the maximum rate or amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the Principal Amount or, if the Principal Amount has been paid, refunded. On any acceleration or required or permitted prepayment, any excess interest will be canceled automatically as of the acceleration or prepayment or, if the excess interest has already been paid, credited on the Principal Amount or, if the Principal Amount has been paid, refunded. This provision overrides any conflicting provisions in this note and all other instruments concerning the debt.

THIS LOAN IS PAYABLE IN FULL ON May 13, 2009.
AT MATURITY YOU MUST REPAY THE ENTIRE PRINCIPAL BALANCE
OF THE LOAN AND UNPAID INTEREST THEN DUE. THE BANK IS UNDER
NO OBLIGATION TO REFINANCE THE LOAN AT THAT TIME. YOU
WILL, THEREFORE, BE REQUIRED TO MAKE PAYMENT OUT OF OTHER
ASSETS THAT YOU MAY OWN, OR YOU WILL HAVE TO FIND A LENDER.

McGOWAN LAW OFFICES, INC.
ATTORNEYS AT LAW
1000 11TH STREET
DENVER, CO 80202

[Handwritten signature]
7/6

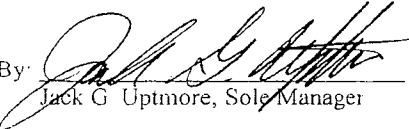
WHICH MAY BE THE BANK YOU HAVE THIS LOAN WITH, WILLING TO LEND YOU THE MONEY. IF YOU REFINANCE THIS LOAN AT MATURITY, YOU MAY HAVE TO PAY SOME OR ALL OF THE CLOSING COSTS NORMALLY ASSOCIATED WITH A NEW LOAN EVEN IF YOU OBTAIN REFINANCING FROM THE SAME BANK.

THIS WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES, THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Each Borrower is responsible for all obligations represented by this note

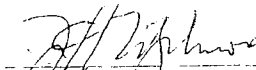
When the context requires, singular nouns and pronouns include the plural

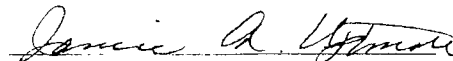
HARVEST HILLS TREATMENT, LTD ,
A Texas Limited Partnership,
BY: HH TREATMENT, LLC, a Texas
Limited Liability Company,
General Partner

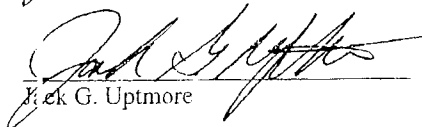
By: 
Jack G. Uptmore, Sole Manager

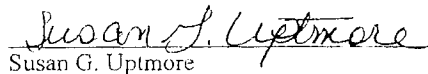
GUARANTY CLAUSE

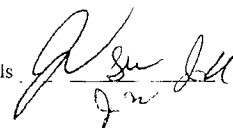
For value received, we, JAMES H. UPTMORE, a/k/a J. H. Uptmore, Janice A. Uptmore; Jack G. Uptmore, Susan G. Uptmore, Uptmore Family Limited Partnership, formerly J. H. Uptmore & Associates, Inc., acting by and through JHU, LLC, a Texas Limited Liability Company, its general partner, and, J. H. Uptmore & Associates, Inc., a Texas Corporation, jointly and severally, absolutely, irrevocably, and unconditionally guarantee payment of this note according to its terms to the same extent as if we were Borrowers on this note. We jointly and severally waive all demands and all notices, including notice of intention to accelerate maturity, notice of acceleration of maturity, notice of nonpayment or default, presentment for payment, protest, notice of protest, suit, and diligence. We also jointly and severally waive any notice of and defense based on the extension of time of payment or change in methods of payment or the release of any collateral securing this note and consent to all renewals, extensions, and other adjustments in the manner of payment of this note and any transfer of this note to any third party. This is an unconditional guaranty of payment and performance, not of collection, and it is an agreement of guaranty, not of suretyship. We jointly and severally waive all requirements of law, if any, that any collection efforts be made against Borrower or that any action be brought against Borrower before resorting to this guaranty.


James H. Uptmore, a/k/a
J. H. Uptmore

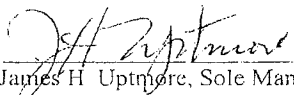

Janice A. Uptmore


Jack G. Uptmore

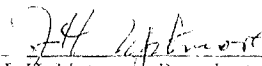

Susan G. Uptmore



UPTMORE FAMILY LIMITED PARTNERSHIP,
formerly J. H. Uptmore & Associates, Inc
BY JHU, L.L.C, a Texas Limited Liability
Company, General Partner

BY 
James H. Uptmore, Sole Manager

J. H. UPTMORE & ASSOCIATES, INC.,
a Texas Corporation

BY 
J. H. Uptmore, President

McGOWAN Law Offices, P.C.
ATTORNEYS AT LAW
1200 N. TEXAS STREET
DALLAS, TEXAS 75201

Initials 
JH

EXHIBIT "A"

FIELD NOTES for a 60.7849 Acre Tract of land being a Wasterwater Treatment Facility and Disposal Site, situated in the William Leman Survey No. 92, Abstract No. 217, Guadalupe County, Texas, being out of a called 306.47 Acre Tract as recorded in Volume 941, Page 0670, Official Public Records of Guadalupe County, Texas, said 60.7849 Acres being further described as follows:

BEGINNING: At a point for the Northwest corner of this Tract and said 306.47 acre Tract, said point being the intersection of the Southeast R.O.W. line of Well Rd. and the Northeast R.O.W. line of Wetz Rd.;

THENCE: N 59° 03' 41" E along the Southeast R.O.W. line of Well Rd., a distance of 196.11 feet to a point for a corner of this Tract;

THENCE: Leaving the Southeast R.O.W. line of Well Rd., S 40° 47' 16" E, a distance of 969.18 feet to a point for a corner of this Tract;

THENCE: S 52° 12' 50" E, a distance of 853.26 feet to a point for a corner of this Tract;

THENCE: S 52° 11' 08" E, a distance of 2028.87 feet to a point for a corner of this Tract;

THENCE: S 59° 58' 36" W, a distance of 1431.72 feet to a point in the Northeast R.O.W. line of Wetz Rd. for the Southernmost corner of this Tract and said 306.47 Acre Tract;

THENCE: Along the Northeast R.O.W. line of Wetz Rd., N 29° 33' 35" W, a distance of 752.00 feet to a angle point for a corner of this Tract;

THENCE: Continuing along the Northeast R.O.W. line of Wetz Rd., N 30° 40' 12" W, a distance of 2864.96 feet to the POINT OF BEGINNING and containing 60.7849 Acres.

EXHIBIT A

Initials

[Handwritten signature]
[Handwritten initials]

DEBTOR NAME AND ADDRESS	SECURED PARTY NAME AND ADDRESS
HARVEST HILLS TREATMENT TO 8400 BLANCO ROAD SUITE 204 SAN ANTONIO, TX 78216	CASTROVILLE STATE BANK P.O. BOX 519 CASTROVILLE, TX 78009
Type <input checked="" type="checkbox"/> individual <input type="checkbox"/> partnership <input type="checkbox"/> corporation <input checked="" type="checkbox"/> LLC State of organization/registration (if applicable) <u>TX</u> <input type="checkbox"/> If checked, refer to addendum for additional Debtors and signatures	

COMMERCIAL SECURITY AGREEMENT

The date of this Commercial Security Agreement (Agreement) is 05-13-2004
 SECURED DEBTS. This Agreement will secure all sums advanced by Secured Party under the terms of this Agreement and the payment and performance of the following described Secured Debts that (check one) ☒ Debtor ☐ (Obligor) owes to Secured Party

☒ Specific Debts. The following debts and all extensions, renewals, refinancings, modifications, and replacements (describe)
LOAN #445910 DATED 5/13/04 IN THE AMOUNT OF \$720,000.00

☐ All Debts. All present and future debts, even if this Agreement is not referenced, the debts are also secured by other collateral, or the future debt is unrelated to or of a different type than the current debt. Nothing in this Agreement is a commitment to make future loans or advances.
 SECURITY INTEREST. To secure the payment and performance of the Secured Debts, Debtor gives Secured Party a security interest in all of the Property described in this Agreement that Debtor owns or has sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products of the Property. "Property" includes all parts, accessories, repairs, replacements, improvements, and accretions to the Property, any original evidence of title or ownership, and all obligations that support the payment or performance of the Property. "Proceeds" includes anything acquired upon the sale, lease, license, exchange, or other disposition of the Property, any rights and claims arising from the Property, and any collections and distributions on account of the Property. This Agreement remains in effect until terminated in writing, even if the Secured Debts are paid and Secured Party is no longer obligated to advance funds to Debtor or Obligor.

PROPERTY DESCRIPTION. The Property is described as follows:

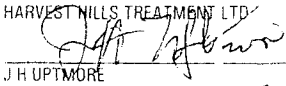
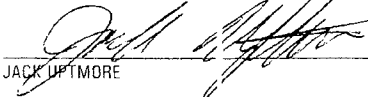
- ☐ Accounts and Other Rights to Payment: All rights to payment, whether or not earned by performance, including, but not limited to, payment for property or services sold, leased, rented, licensed, or assigned. This includes any rights and interests (including all liens) which Debtor may have by law or agreement against any account debtor or obligor of Debtor.
- ☐ Inventory: All inventory held for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in Debtor's business.
- ☐ Equipment: All equipment including, but not limited to, machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and record keeping equipment, parts, and tools. The Property includes any equipment described in a list or schedule Debtor gives to Secured Party, but such a list is not necessary to create a valid security interest in all of Debtor's equipment.
- ☐ Instruments and Chattel Paper: All instruments, including negotiable instruments and promissory notes and any other writings or records that evidence the right to payment of a monetary obligation, and tangible and electronic chattel paper.
- ☐ General Intangibles: All general intangibles including, but not limited to, tax refunds, patents and applications for patents, copyrights, trademarks, trade secrets, goodwill, trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a transaction relating to computer programs, and the right to use Debtor's name.
- ☐ Documents: All documents of title including, but not limited to, bills of lading, dock warrants and receipts, and warehouse receipts.
- ☐ Farm Products and Supplies: All farm products including, but not limited to, all poultry and livestock and their young, along with their produce, products, and replacements, all crops, annual or perennial, and all products of the crops, and all feed, seed, fertilizer, medicines, and other supplies used or produced in Debtor's farming operations.
- ☐ Government Payments and Programs: All payments, accounts, general intangibles, and benefits including, but not limited to, payments in kind, deficiency payments, letters of entitlement, warehouse receipts, storage payments, emergency assistance and diversion payments, production flexibility contracts, and conservation reserve payments under any preexisting, current, or future federal or state government program.
- ☐ Investment Property: All investment property including, but not limited to, certificated securities, uncertificated securities, securities entitlements, securities accounts, commodity contracts, commodity accounts, and financial assets.
- ☐ Deposit Accounts: All deposit accounts including, but not limited to, demand, time, savings, passbook, and similar accounts.
- ☒ Specific Property Description: The Property includes, but is not limited by, the following (if required, provide real estate description):

CASTROVILLE STATE BANK CERTIFICATE OF DEPOSIT #19161 IN THE AMOUNT OF 170,316.00 @ 4.85% IN THE NAME OF UPTMORE FAMILY LIMITED PARTNERSHIP, JHU LLC, GENERAL PARTNER

USE OF PROPERTY. The Property will be used for ☐ personal ☒ business ☐ agricultural ☐ purposes.

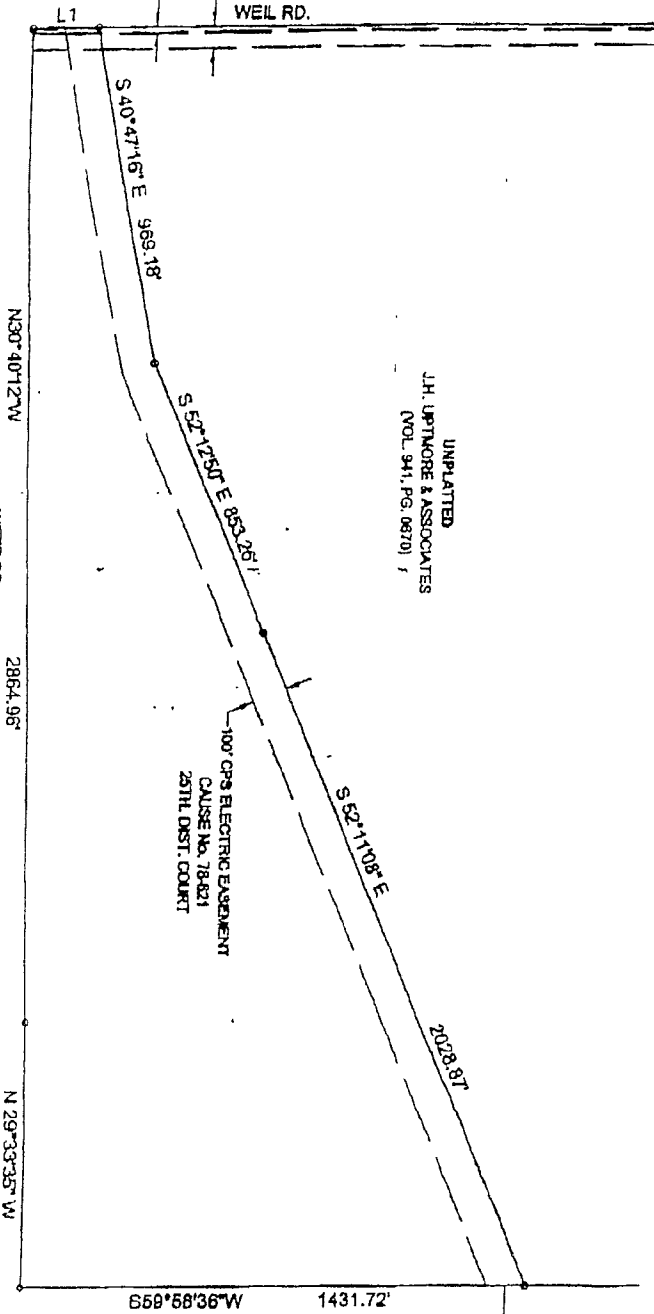
THIS WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. HERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

SIGNATURES. Debtor agrees to the terms on pages 1 and 2 of this Agreement and acknowledges receipt of a copy of this Agreement.

DEBTOR	SECURED PARTY
HARVEST HILLS TREATMENT LTD.  J.H. UPTMORE	CASTROVILLE STATE BANK  JACK UPTMORE

SCALE 1"=400'

LINE TABLE		
LINE	LENGTH	BEARING
1	1431.72	N 29° 33' 35" W
2	2864.96	N 30° 40' 12" W
3	989.18	S 40° 47' 16" E
4	853.25	S 52° 17' 50" E
5	2028.81	S 52° 11' 05" E
6	1431.72	S 59° 58' 36" W



UNPLATTED
J.H. UPTHORE & ASSOCIATES
(VOL. 941, PG. 0670)

60' ELECTRIC EASMT
(VOL. 681, PG. 361 &
VOL. 884, PG. 528)
15' WATERLINE EASMT
(VOL. 366, PG. 589)

100' OPS ELECTRIC EASEMENT
CAUSE NO. 78421
25TH DIST. COURT

GRIER KIM N. & DEBRAK
25 ACRES
(VOL. 1098, PG. 571)

NEWMAN MARCUS & ANGIE
NEW BRAUNFELS HEIGHTS
SUBDIVISION
(UNRECORDED PLAT NO. K2161)
LOT 2
(VOL. 1067, PG. 0355)

60.7849 Acre Tract of land being a Wastewater Treatment Facility and Disposal site, situated in the William Leman Survey No. 92, Abstract No. 217, Guadalupe County, Texas, being out of a called 306.47 Acre Tract as Recorded in Volume 941, Page 0670, Official Public Records of Guadalupe County, Texas.

KLEIN ENGINEERING, INC.

CIVIL / MUNICIPAL / ENVIRONMENTAL ENGINEERS
SAN ANTONIO, TEXAS

EXHIBIT

Initials

[Handwritten initials]