

Exhibit B

# **WATER AND WASTEWATER UTILITIES**

## **ANNUAL REPORT**

*of*

**JOHNSON WATER SERVICE/WATER NECESSITY**

**Exact Legal Name of Utility/Respondent**

**12647**

**Certificate of Convenience and Necessity (CCN) No.**

*Submitted to the*

**State of Texas**



**Texas Commission on Environmental Quality**

*for the*

**Calendar Year Ended December 31, 2010**

50

## Section 1: Utility Information

Utility Name WATER NECESSITIES, INC.

Address PO BOX 62

VIDOR, TEXAS 77670

☐ Please check this box if your Official Address, which is noted on the enclosed letter, has changed.

Telephone Number 409-769-9030 Fax Number 409-769-1176

E-mail Address waternecessities@yahoo.com

Contact Person KELLY BREWER Title OPERATOR

Check the business ownership entity of the utility as filed with the Internal Revenue Service

☒ Individual ☐ Partnership ☐ Corporation ☐ NonProfit Association

## Section 2: Utility Background

Water CCN No. 12647

Number of PWSs 2

PWS ID No. 1000060

PWS ID No. 1000069

(if the Utility has more PWS ID

Nos., please indicate in Section 10)

Sewer CCN No. N/A

Number of Wastewater Systems N/A

Discharge Permit No. N/A

Discharge Permit No. N/A

(if the Utility has more Discharge Permit

Nos., please indicate in Section 10)

### Section 3: Revenues

	Water	Wastewater	Total Water + Wastewater
<b>OPERATING REVENUES:</b>			
Utility Service/Sales	48,409.35	N/A	48,409.35
Fees (Tap, Reconnection, etc.)		N/A	
<b>OTHER REVENUES:</b>			
Please Identify:		N/A	
<b>TOTAL REVENUES</b>	48,409.35	N/A	48,409.35

### Section 4: Expenses

	Water	Wastewater	Total Water + Wastewater
Salaries & Wages	7893.00	N/A	7893.00
Contract Labor	15,437.00	N/A	15,437.00
Purchased Water	0	N/A	0
Chemicals for Treatment	1742.00	N/A	1742.00
Utilities (electricity)	1899.00	N/A	1899.00
Repairs/Maintenance/Supplies	4987.00	N/A	4987.00
Office Expenses	421.00	N/A	421.00
Professional Fees (Accounting, Legal)	625.00	N/A	625.00
Insurance	250.00	N/A	250.00
Depreciation & Amortization	1111.00	N/A	1111.00
Miscellaneous (describe in remarks below)	870.00	N/A	870.00
Subtotal	35,181.00	N/A	35,181.00
<b>Taxes:</b>			
Federal Income Taxes	800.00	N/A	800.00
Property and Other Taxes (Payroll, etc.)	1110.00	N/A	1110.00
Regulatory Expenses (Rate Case, Permits)	0	N/A	0
Other (describe in remarks below)	0	N/A	0
<b>TOTAL EXPENSES</b>	37,081.00	N/A	37,081.00

Remarks: NONE

52

## Section 5: Operating Items

### Debt Information:

Annual interest expense on long and/or short term debt? \$0  
 Annual principal payment on debt? \$0  
 Annual interest rate on debt? 0 %  
 Annual debt principal and interest? \$0  
 Principal balance on outstanding debt at end of this reporting period? \$0

### Regulatory Assessment Fee:

What was the Regulatory Assessment fee amount submitted to TCEQ for the Calendar Year 2010? \$484.09

### Rate Change:

What was the effective date of the last Rate Change? 2008

## Section 6: Customer Information

Connection Type Water	Number of Connections at	
	Beginning of Calendar Year 2010	End of Calendar Year 2010
Total 83	83	83

Connection Type Wastewater	Number of Connections at	
	Beginning of Calendar Year 2010	End of Calendar Year 2010
Total N/A	N/A	N/A

53

## Section 7: Water Production & Consumption

A What is the total amount of water produced/pumped?	7690000	gallons
B What is the total amount of water sold/billed?	5070050	gallons
C How much water was lost?	2619950	gallons
What is the total percent of water loss?	34	%

To calculate the above, please reference the attached document Water and Wastewater Utilities Annual Report Instructions.

Comments? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Section 8: Wastewater Treated

What is the total amount of wastewater treated? N/A gallons

Comments? N/A \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Section 9: Utility Management & Operations Assessment

### Utility Policy and Procedures

Do you have an Application Form or Formal Process for New Customers?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have a copy of your approved tariff and drought contingency plan for customers to review?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have Written Operating Procedures for Routine Operations?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have Written Emergency Actions Plan(s)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have Written Personnel Procedures?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have Risk Management & Safety Policies?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have Customer Service Policies (including billing & collection)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have a Written Budget (normally updated annually)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Did you or any utility staff attend the annual Water Supply Division Conference/Trade Fair or any other utility/business related conferences this year? If so, please list them in Section 10.

☐ Yes ☒ No

Do you record complaints or keep a complaint log?

☒ Yes ☐ No

Is a customer service representative, water system employee, or answering service accessible by phone at all times to all customers?

☒ Yes ☐ No

### **Rules and Regulations**

If you own/operate a public water system, do you have a copy of or have access to 30 TAC Chapter 290?

☒ Yes ☐ No

If you own/operate a sewer system, do you have a copy of or have access to 30 TAC 30 Subchapter J, 30 TAC 217, 30 TAC 308, and 30 TAC 309?

☐ Yes ☒ No

Do you have a copy of or have access to the Utility Regulation TAC 30 Rule, Chapter 291?

☒ Yes ☐ No

Do you have a copy of or have access to Texas Water Code Chapter 13?

☒ Yes ☐ No

### **Administrative Information**

Do you notify customers prior to shutting down the system for repairs?

☐ Yes ☐ No ☒ Sometimes ☐ Only if greater than 2 hours

How do you keep your customers informed?

☒ Billing Statements ☐ Newsletter ☐ Meetings

☒ Other MEDIA

Are water records kept separate from other business and personal records?

☒ Yes ☐ No

Are records kept for additions to fixed assets?

☒ Yes ☐ No

Is the financial position of the system reviewed at least quarterly?

☒ Yes ☐ No

Are accounting records for water and wastewater kept separately?

☒ Yes ☐ No

### **Utility Assistance**

If your answer to any question above is "No", would you be receptive to financial, managerial or technical assistance at no cost to the utility?

☒ Yes ☐ No

55

**Section 10: Remarks (please feel free to attach additional pages if necessary)**


**Section 11: Sworn Statement**

I HEREBY CERTIFY THAT THE INFORMATION PROVIDED IN THIS REPORT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

(This document MUST be signed by the President or Owner of the Utility)

This 30 Day of MARCH, 2011.

President or Owner: \_\_\_\_\_



(Signature)

KELLY BREWER

(Printed Name)

OPERATOR

(Title)

Exhibit B

# WATER AND WASTEWATER UTILITIES

## ANNUAL REPORT

of

Johnson Water Service

Exact Legal Name of Utility/Respondent

121647

Certificate of Convenience and Necessity (CCN) No.

Submitted to the

**State of Texas**



**Texas Commission on Environmental Quality**

for the

**Calendar Year Ended December 31, 2009**

51



## Section 1: Utility Information

Utility Name Water Necessities, Inc

Address P.O. Box 162  
Vidor, Tx 77670

☐ Please check this box if your Official Address, which is noted on the enclosed letter, has changed.

Telephone Number (409) 769-9030 Fax Number (409) 769-1176

E-mail Address water necessities@yahoo.com

Contact Person Kelly Brewer Title Operator

Check the business ownership entity of the utility as filed with the Internal Revenue Service

☒ Individual ☐ Partnership ☐ Corporation ☐ NonProfit Association

## Section 2: Utility Background

Water CCN No. 12647

Number of PWSs 2

PWS ID No. 10000 60

PWS ID No. 10000 69

(if the Utility has more PWS ID

Nos., please indicate in Section 10)

Sewer CCN No. NA

Number of Wastewater Systems NA

Discharge Permit No. NA

Discharge Permit No. NA

(if the Utility has more Discharge Permit

Nos., please indicate in Section 10)

### Section 3: Revenues

	Water	Wastewater	Total Water + Wastewater
<b>OPERATING REVENUES:</b>			
Utility Service/Sales			
Fees (Tap, Reconnection, etc.)	0		
<b>OTHER REVENUES:</b>			
Please Identify:			
<b>TOTAL REVENUES</b>	49840		

### Section 4: Expenses

	Water	Wastewater	Total Water + Wastewater
Salaries & Wages	7983		
Contract Labor	15580		
Purchased Water	0		
Chemicals for Treatment	1875		
Utilities (electricity)	1405		
Repairs/Maintenance/Supplies	5025		
Office Expenses	387		
Professional Fees (Accounting, Legal)	750		
Insurance			
Depreciation & Amortization	994		
Miscellaneous (describe in remarks below)	820		
Subtotal:	35239		
<b>Taxes:</b>			
Federal Income Taxes	200		
Property and Other Taxes (Payroll, etc.)	180		
Regulatory Expenses (Rate Case, Permits)			
Other (describe in remarks below)			
<b>TOTAL EXPENSES</b>	36139		

**Remarks:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## Section 5: Operating Items

### Debt Information:

Annual interest expense on long and/or short term debt? \$ \_\_\_\_\_  
 Annual principal payment on debt? \$ \_\_\_\_\_  
 Annual interest rate on debt? \_\_\_\_\_ %  
 Annual debt principal and interest? \$ \_\_\_\_\_  
 Principal balance on outstanding debt at end of this reporting period? \$ \_\_\_\_\_

### Regulatory Assessment Fee:

What was the Regulatory Assessment fee amount submitted to TCEQ for the Calendar Year 2009? \$ 457.00

### Rate Change:

What was the effective date of the last Rate Change? 2008

## Section 6: Customer Information

Connection Type Water	Number of Connections at	
	Beginning of Calendar Year 2009	End of Calendar Year 2009
Total <u>83</u>	<u>83</u>	<u>83</u>

Connection Type Wastewater	Number of Connections at	
	Beginning of Calendar Year 2009	End of Calendar Year 2009
Total <u>NA</u>		

## Section 7: Water Production & Consumption

A What is the total amount of water produced/pumped?

B What is the total amount of water sold/billed?

C How much water was lost?

What is the total percent of water loss?

6,812,000 gallons  
4,401,594 gallons  
2,410,406 gallons  
35%

To calculate the above, please reference the attached document Water and Wastewater Utilities Annual Report Instructions.

Comments?

## Section 8: Wastewater Treated

What is the total amount of wastewater treated?

gallons

Comments?

NA

## Section 9: Utility Management & Operations Assessment

### Utility Policy and Procedures

Do you have an Application Form or Formal Process for New Customers?

☒ Yes ☐ No

Do you have a copy of your approved tariff and drought contingency plan for customers to review?

☒ Yes ☐ No

Do you have Written Operating Procedures for Routine Operations?

☒ Yes ☐ No

Do you have Written Emergency Actions Plan(s)?

☒ Yes ☐ No

Do you have Written Personnel Procedures?

☒ Yes ☐ No

Do you have Risk Management & Safety Policies?

☒ Yes ☐ No

Do you have Customer Service Policies? (including billing & collection)?

☒ Yes ☐ No

Do you have a Written Budget? (normally updated annually)?

☒ Yes ☐ No

Did you or any utility staff attend the annual Water Supply Division Conference/Trade Fair or any other utility/business related conferences this year? If so, please list them in Section 10.

☐ Yes ☒ No

Do you record complaints or keep a complaint log?

☒ Yes ☐ No

Is a customer service representative, water system employee, or answering service accessible by phone at all times to all customers?

☒ Yes ☐ No

### Rules and Regulations

If you own/operate a public water system, do you have a copy of 30 TAC Chapter 290?

☒ Yes ☐ No

If you own/operate a sewer system, do you have a copy of 30 TAC 314?

☐ Yes ☒ No

Do you have a copy of the Utility Regulation TAC 30 Rule, Chapter 291?

☒ Yes ☐ No

Do you have a copy of the Texas Water Code Chapter 13?

☒ Yes ☐ No

### Administrative Information

Do you notify customers prior to shutting down the system for repairs?

☐ Yes ☒ No ☐ Sometimes ☐ Only if greater than 2 hours

How do you keep your customers informed?

☒ Billing Statements ☐ Newsletter ☐ Meetings

☒ Other 5 Le Dam KLV I Radio Station

Are water records kept separate from other business and personal records?

☒ Yes ☐ No

Are records kept for additions to fixed assets?

☒ Yes ☐ No

Is the financial position of the system reviewed at least quarterly?

☒ Yes ☐ No

Are accounting records for water and wastewater kept separately?

☒ Yes ☐ No

### Utility Assistance

If your answer to any question above is "No", would you be receptive to financial, managerial or technical assistance at no cost to the utility?

☒ Yes ☐ No

**Section 10: Remarks (please feel free to attach additional pages if necessary)**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Section 11: Sworn Statement**

I HEREBY CERTIFY THAT THE INFORMATION PROVIDED IN THIS REPORT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

(This document MUST be signed by the President or Owner of the Utility)

This 30<sup>th</sup> Day of March, 2010

President or Owner: \_\_\_\_\_

K. Brewer

(Signature)

Kelly Brewer

(Printed Name)

Operator

(Title)

Bryan W. Shaw, Ph.D., P.E., *Chairman*  
Toby Baker, *Commissioner*  
Zak Covar, *Commissioner*  
Richard A. Hyde, P.E., *Executive Director*

Exhibit C

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

April 22, 2014

**CERTIFIED MAIL {7013 1090 0000 2436 6239}  
RETURN RECEIPT REQUESTED**

Mr. Larry Brewer  
Water Necessities Inc.  
PO Box 1409  
Vidor, Texas 77670

Re: Notice of Violation for Public Water Supply Investigation at:  
Northwoods Subdivision, Kountze (Hardin County), Texas 77670  
PWS ID: 1000060; Investigation Number: 1152609

Dear Mr. Brewer:

On February 26 and 28, 2014, Ms. Ruth Potato, of the Texas Commission on Environmental Quality (TCEQ) Beaumont Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public water supply. Enclosed is a summary which lists the investigation findings. During the investigation, certain outstanding alleged violations and an additional issue were identified for which compliance documentation is required. Please submit to this office by **July 21, 2014** a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for each of the outstanding alleged violation.

In the listing of the alleged violation, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at <http://www.tceq.state.tx.us> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the Beaumont Region Office at 409-898-3838 or the Central Office Publications Ordering Team at 512-239-0028.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violations documented in this notice. Should you choose to do so, you must notify the Beaumont Region Office within 10 days from the date of this letter. At that time, Mr. Alex Crank will schedule a violation review meeting to be conducted within 21 days from the date of this letter or specified date at specific time. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

TCEQ Region 10 • 3870 Eastex Fwy. • Beaumont, Texas 77703-1830 • 409-898-3838 • Fax 409-892-2119

Austin Headquarters: 512-239-1000 • [tceq.texas.gov](http://tceq.texas.gov) • How is our customer service? [tceq.texas.gov/customersurvey](http://tceq.texas.gov/customersurvey)

64

Mr. Larry Brewer  
Water Necessities Inc.  
Page 2  
April 22, 2014

If you or members of your staff have any questions, please feel free to contact Ms. Ruth Potato in the Beaumont Region Office at 409-898-3838.

Sincerely,



Alex Crank  
Water Section Work Leader  
Beaumont Region Office

AC/RP/bd

Attachment: Summary of Investigation Findings

65



## Summary of Investigation Findings

### NORTHWOODS SUBDIVISION

PO BOX 8009

LUMBERTON, HARDIN COUNTY, TX 77657

Investigation #

1152609

Investigation Date: 02/26/2014

Additional ID(s): 1000060

### OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 532687

Compliance Due Date: 07/21/2014

30 TAC Chapter 290.46(m)(1)(B)

#### Alleged Violation:

Investigation: 1152609

Comment Date: 04/18/2014

Failure by Northwoods Subdivision to conduct the interior inspection of the pressure tank once every five years.

During the investigation, it was noted that the water system failed to conduct the interior tank inspection of the 2,500 gallon pressure tank. According to the December 2013 tank inspection form, the last interior inspection was conducted on 2007.

**Recommended Corrective Action:** Conduct the tank inspection and submit a copy to the Beaumont Regional office.

Track No: 532688

Compliance Due Date: 07/21/2014

30 TAC Chapter 290.46(f)(2)

#### Alleged Violation:

Investigation: 1152609

Comment Date: 04/18/2014

Failure by Northwoods Subdivision to have a copy of the plant operations manual available for review during the investigation.

During the investigation, it was noted that the water system failed to have a copy of the plant operations manual available for review during the investigation. A record request was submitted; however, a copy of the plant operations manual was not received prior to the completion of the report.

**Recommended Corrective Action:** Obtain a copy of the plant operations manual and submit a copy to the Beaumont Regional office.

Track No: 533147

Compliance Due Date: 07/21/2014

30 TAC Chapter 290.46(f)(3)(A)(i)(III)

#### Alleged Violation:

Investigation: 1152609

Comment Date: 04/18/2014

Failure by Northwoods Subdivision to record the amount of chemicals used every week.

During the investigation, it was noted that the water system failed to record the amount of chemicals used every week. The water system failed to record the amount of chlorine used on February 11, 2013, and the amount of both polyphosphate and chlorine used on April 15, 2013.

**Recommended Corrective Action:** Begin recording the amount of chemical used every seven days and submit three months records to the Beaumont Regional office.

66

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**Track No: 533149      Compliance Due Date: 07/21/2014**  
**30 TAC Chapter 290.45(b)(1)(A)(i)**

**Alleged Violation:**

Investigation: 1152609

Comment Date: 04/15/2014

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Failure by Northwoods Subdivision to provide 1.5 gallons per minute (gpm) of well production per connection.

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During the investigation, it was noted that the water system failed to provide 1.5 gallons per minute of well production per connection. The water system has a well production capacity of 56 gpm. The required well production capacity is 60 gpm rendering the water system 7 percent deficient.

**Recommended Corrective Action:** Provide the required minimum capacities for a community water system serving less than 50 connections. Submit proof upon the water system providing the required capacities per connection.

Please note that if any modifications are made to the plant in an effort obtain compliance with this regulation, notification shall be made to TCEQ Water Supply Division, Technical Review and Oversight Team, MC 155 PO Box 13087, Austin, Texas 78711-3087; phone (512) 239 -4691. Additionally, an exception may be requested regarding this regulation to the address listed above.

**Summary of Investigation Findings**

NORTHWOODS SUBDIVISION

Investigation # 1152609

PO BOX 8009  
LUMBERTON, HARDIN COUNTY, TX 77657

Investigation Date: 02/26/2014

Additional ID(s): 1000060

**AREA OF CONCERN**

Track No: 532686

30 TAC Chapter 290.110(c)(4)(A)

**Alleged Violation:**

Investigation: 1152609

Comment Date: 04/18/2014

Failure by Northwoods Subdivision to record the chlorine residual every week.

During the investigation, it was noted that the water system failed to record the chlorine residual on January 2, 2013. It was also noted that the water system began recording the chlorine residual every week.

**Recommended Corrective Action:** Begin recording the chlorine residual once every seven days and submit two months records to the Beaumont Regional office.

**Resolution:** During the investigation, it was noted that the water system began recording the chlorine residual every seven days.

Track No: 533148

30 TAC Chapter 290.46(l)

**Alleged Violation:**

Investigation: 1152609

Comment Date: 04/15/2014

Failure by Northwoods Subdivision to flush all dead-end mains once every 30 days.

During the investigation, it was noted that the water system failed to flush the dead-end mains located at Overstreet Loop and 1673 Northwoods on August 2013. The water system began flushing all dead-end mains once every month. This will be cited as noted and resolved.

**Recommended Corrective Action:** Begin flushing all dead-end mains once every 30 days and submit three months records to the Beaumont Regional office.

**Resolution:** During the investigation, it was noted that the water system began flushing the dead-end mains once every 30 days.

**ADDITIONAL ISSUES****Description**

Item 6

**Additional Comments**

Failure by Northwoods Subdivision to have an up-to-date monitoring plan. During the investigation, it was noted that the water system failed to have the correct number of connections listed in their monitoring plan. The current monitoring plan listed 39 instead of 40 connections. Please update all information listed in the monitoring plant.



**Water Necessities, Inc.**  
**PO Box 62**  
**Vidor, Texas 77670**  
**409-769-9030**  
**800-261-2110 Toll Free**  
**409-769-1176 Fax**

May 20, 2015

RE: Investigation 1152609 North Woods Subdivision

TCEQ Water Supply Division  
Technical Review and Oversight Team  
MC 155 PO Box 13087  
Austin, Texas 78711-3087

Dear TCEQ Water Supply Division,

Concerning North Woods PWS# 1000060, We are requesting an exception to 30 TAC Chapter 290.45 (b)(1)(A)(i) requiring 1.5 gallons per minute of well production per connection.

Sincerely,

Kelly Brewer

# 3 months records of chemical used

North Woods

ID# 1000060

1.04

Date	5-5-14
Mst. Meter 1	31552900
Mst. Meter 2	-
Residue 1948 Northwoods	1.02
CL2 Used	1.5
CL2 left	↓ 3/4
CL2 Pump	3
Phosphate Used	2
Phosphate Left	1/2
Phosphate Pump	50/50
Pressure	60
Air Level	2'↑
Storage Level	-
Grounds	good
Booster Rotation	-

Date	5-26-14
Mst. Meter 1	31751200
Mst. Meter 2	-
Residue 1402 Tall Timbers	1.05
CL2 Used	1
CL2 left	9/3
CL2 Pump	3
Phosphate Used	2
Phosphate Left	1/3
Phosphate Pump	50/50
Pressure	58
Air Level	1'↓
Storage Level	-
Grounds	good
Booster Rotation	-

Date	5-12-14
Mst. Meter 1	31631600
Mst. Meter 2	-
Residue 1830 Old Nona	1.10
CL2 Used	1
CL2 left	↑ 2/3
CL2 Pump	3.5
Phosphate Used	2
Phosphate Left	↓ 1/2
Phosphate Pump	50/50
Pressure	60
Air Level	1'↑
Storage Level	-
Grounds	good
Booster Rotation	-

Date	
Mst. Meter 1	
Mst. Meter 2	
Residue 1409 Tall Timbers	
CL2 Used	
CL2 left	
CL2 Pump	
Phosphate Used	
Phosphate Left	
Phosphate Pump	
Pressure	
Air Level	
Storage Level	
Grounds	
Booster Rotation	

Date	5-14-14
Mst. Meter 1	31690000
Mst. Meter 2	-
Residue 1651 Old Nona	1.98
CL2 Used	1
CL2 left	↑ 2/3
CL2 Pump	3
Phosphate Used	2
Phosphate Left	↑ 1/3
Phosphate Pump	50/50
Pressure	60
Air Level	1'↓
Storage Level	-
Grounds	good
Booster Rotation	-

Flush Date	Address	Residue
5-22-14	1706 North Woods	1.06
	1402 Tall Timbers	1.10
	Overstreet Loop	1.04
	1651 Old Nona	1.02
	1693 Northwoods	.98
	6080 Holly	.99
Notes		

10

## North Woods

ID# 1000060

Date	6-2-14
Mst. Meter 1	31796500
Mst. Meter 2	-
Residue 1948 Northwoods	2.1
CL2 Used	.5
CL2 left	2/3
CL2 Pump	3
Phosphate Used	2
Phosphate Left	1 1/3
Phosphate Pump	50/50
Pressure	58
Air Level	1' ↓
Storage Level	-
Grounds	good
Booster Rotation	-

Date	6-9-14
Mst. Meter 1	31832100
Mst. Meter 2	-
Residue 1830 Old Nona	2.4
CL2 Used	.5
CL2 left	2/3
CL2 Pump	3
Phosphate Used	2
Phosphate Left	1 1/4
Phosphate Pump	50/50
Pressure	60
Air Level	1' ↓
Storage Level	-
Grounds	good
Booster Rotation	-

Date	6-16-14
Mst. Meter 1	31888000
Mst. Meter 2	-
Residue 1651 Old Nona	1.33
CL2 Used	.5
CL2 left	1 2/3
CL2 Pump	2.5
Phosphate Used	new
Phosphate Left	1 3/4
Phosphate Pump	50/50
Pressure	2' ↓
Air Level	60
Storage Level	-
Grounds	good
Booster Rotation	-

Date	6-23-14
Mst. Meter 1	31942600
Mst. Meter 2	-
Residue 1402 Tall Timbers	1.15
CL2 Used	.5
CL2 left	1 2/3
CL2 Pump	2.5
Phosphate Used	1.5
Phosphate Left	3/4
Phosphate Pump	50/50
Pressure	59
Air Level	2' ↓
Storage Level	-
Grounds	good
Booster Rotation	-

Date	6-30-14
Mst. Meter 1	32003400
Mst. Meter 2	-
Residue 1409 Tall Timbers	1.06
CL2 Used	1/2
CL2 left	1 2/3
CL2 Pump	3
Phosphate Used	2.5
Phosphate Left	1 3/4
Phosphate Pump	50/50
Pressure	60
Air Level	mark
Storage Level	-
Grounds	good
Booster Rotation	-

Flush Date	Address	Residue
6-9	1706 North Woods	2.8
6-23	1402 Tall Timbers	1.16
6-23	Overstreet Loop	1.04
6-23	1651 Old Nona	1.19
6-16	1693 Northwoods	2.3
6-16	6080 Holly	2.1
Notes		
6-23-13 Change tube & roller CL2		

1.50

91

## North Woods

ID# 1000060

Date	7-7-14
Mst. Meter 1	32048100
Mst. Meter 2	-
Residue 1948 Northwoods	.54
CL2 Used	.5
CL2 left	1 2/3
CL2 Pump	3
Phosphate Used	2
Phosphate Left	1 2/3
Phosphate Pump	50/50
Pressure	59
Air Level	1' ↓
Storage Level	-
Grounds	good
Booster Rotation	-

Date	7-28-14
Mst. Meter 1	32263500
Mst. Meter 2	-
Residue 1402 Tall Timbers	.35
CL2 Used	1
CL2 left	1 1/2
CL2 Pump	3-4
Phosphate Used	2
Phosphate Left	1 1/2
Phosphate Pump	50/50
Pressure	60
Air Level	1/2' ↑
Storage Level	-
Grounds	good
Booster Rotation	-

Date	7-14-14
Mst. Meter 1	32213100
Mst. Meter 2	-
Residue 1830 Old Nona	.38
CL2 Used	1
CL2 left	1 2/3
CL2 Pump	3
Phosphate Used	5
Phosphate Left	1/2
Phosphate Pump	50/50
Pressure	59
Air Level	1' ↓
Storage Level	-
Grounds	good
Booster Rotation	-

Date	
Mst. Meter 1	
Mst. Meter 2	
Residue 1409 Tall Timbers	
CL2 Used	
CL2 left	
CL2 Pump	
Phosphate Used	
Phosphate Left	
Phosphate Pump	
Pressure	
Air Level	
Storage Level	
Grounds	
Booster Rotation	

Date	7-21-14
Mst. Meter 1	32287500
Mst. Meter 2	-
Residue 1651 Old Nona	.48
CL2 Used	1
CL2 left	1 2/3
CL2 Pump	3
Phosphate Used	2
Phosphate Left	1/2
Phosphate Pump	50/50
Pressure	59
Air Level	@ mark
Storage Level	-
Grounds	good
Booster Rotation	-

Flush Date	Address	Residue
7-7-14	1706 North Woods	.75
7-14	1402 Tall Timbers	.36
7-14	Overstreet Loop	.37
7-14	1651 Old Nona	.39
7-21	1693 Northwoods	.42
7-28	6080 Holly	.38
Notes		

78

Bryan W. Shaw, Ph.D., P.E., *Chairman*  
Toby Baker, *Commissioner*  
Zak Covar, *Commissioner*  
Richard A. Hyde, P.E., *Executive Director*

Exhibit D

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

April 22, 2014

**CERTIFIED MAIL {7013 1090 0000 2436 6222}  
RETURN RECEIPT REQUESTED**

Mr. Larry Brewer  
Water Necessities Inc.  
PO Box 1409  
Vidor, Texas 77670

Re: Notice of Violation for Public Water Supply Investigation at:  
Breakaway Trail Subdivision, Kountze (Hardin County), Texas 77670  
PWS ID: 1000069; Investigation Number: 1152611

Dear Mr. Brewer:

On February 26 and 28, 2014, Ms. Ruth Potato, of the Texas Commission on Environmental Quality (TCEQ) Beaumont Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public water supply. Enclosed is a summary which lists the investigation findings. During the investigation, certain outstanding alleged violations and an additional issue were identified for which compliance documentation is required. Please submit to this office by **July 21, 2014** a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for each of the outstanding alleged violations.

In the listing of the alleged violation, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at <http://www.tceq.state.tx.us> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the Beaumont Region Office at 409-898-3838 or the Central Office Publications Ordering Team at 512-239-0028.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violations documented in this notice. Should you choose to do so, you must notify the Beaumont Region Office within 10 days from the date of this letter. At that time, Mr. Alex Crank will schedule a violation review meeting to be conducted within 21 days from the date of this letter or specified date at specific time. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

13



## Summary of Investigation Findings

**BREAKAWAY TRAIL SUBDIVISION**  
5426 OAKWOOD DR  
KOUNTZE, HARDIN COUNTY, TX 77625

Investigation #  
1152611  
Investigation Date: 02/26/2014

Additional ID(s): 1000069

### OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 532683      Compliance Due Date: 07/21/2014  
30 TAC Chapter 290.46(f)(2)

**Alleged Violation:**

Investigation: 1152611

Comment Date: 04/14/2014

Failure by Breakaway Trail Subdivision to have a copy of the plant operations manual available during the investigation.

During the investigation, it was noted that the water system failed to have a copy of the plant operations manual available for review during the investigation. A record request was submitted; however, no compliance documentation was received prior to the investigation report being submitted for approval.

**Recommended Corrective Action:** Obtain a copy of the plant operations manual and submit a copy to the Beaumont Regional office.

Track No: 532684      Compliance Due Date: 07/21/2014  
30 TAC Chapter 290.46(m)(1)(B)

**Alleged Violation:**

Investigation: 1152611

Comment Date: 04/18/2014

Failure by Breakaway Trail Subdivision to conduct the interior tank inspection.

During the investigation, it was noted that the water system failed to conduct the interior tank inspection of the 2,500 gallon pressure tank. According to the December 2013 tank inspection form, the last interior inspection was conducted on 2007.

**Recommended Corrective Action:** Conduct the tank inspection and submit a copy to the Beaumont Regional office.

Track No: 532685      Compliance Due Date: 07/21/2014  
30 TAC Chapter 290.46(n)(2)

**Alleged Violation:**

Investigation: 1152611

Comment Date: 04/14/2014

Failure by Breakaway Trail Subdivision to have an up-to-date distribution map.

During the investigation, it was noted that the water system failed to have an up-to-date distribution map. The flush valves were not listed on the distribution map. During the investigation, the operator corrected the violation by adding the flush valves on the distribution map.

**Recommended Corrective Action:** Update the distribution map and submit a copy to the Beaumont Regional office.

Track No: 533194      Compliance Due Date: 07/21/2014  
30 TAC Chapter 290.46(f)(3)(A)(i)(III)

**Alleged Violation:**

Investigation: 1152611

Comment Date: 04/18/2014

Failure by Breakaway Trail Subdivision to record the amount of chemical used every week.

During the investigation, it was noted that the water system failed to record the amount of chemical used. On January 7, February 11, February 25 and March 11, 2013, the amount of chlorine used was not recorded. On March 25, 2013, the amount of polyphosphate used was not recorded.

**Recommended Corrective Action:** Record the amount of chemical used every seven days and submit two months of records to the Beaumont Regional office.

**ADDITIONAL ISSUES****Description**

Item 4

**Additional Comments**

Failure by Breakaway Trail Subdivision to have an up-to-date monitoring plan. During the investigation, it was noted that the water system failed to have the correct number of connections listed in their monitoring plan. The current monitoring plan listed 39 connections instead of 40 connections. Please update all information listed in the monitoring plant.

15

Mr. Larry Brewer  
Water Necessities Inc.  
Page 2  
April 22, 2014

If you or members of your staff have any questions, please feel free to contact Ms. Ruth Potato in the Beaumont Region Office at 409-898-3838.

Sincerely,

A handwritten signature in black ink, appearing to read "Alex Crank".

Alex Crank  
Water Section Work Leader  
Beaumont Region Office

AC/RP/bd

Attachment: Summary of Investigation Findings

# POTABLE WATER STORAGE TANK Inspection Form

Section 290.46(f)(3)(D)(ii) of the Texas Commission on Environmental Quality's *Rules and Regulations for Public Water Systems* requires documentation of annual ground, elevated, and pressure storage tank maintenance inspections. [See also 290.46(m)(1) and 290.46(m)(2)]

<b>Location:</b> BREAKAWAY TRAILS
<b>Description:</b> 3500 GALLON PRESSURE TANK
<b>Date &amp; Material of Exterior Coating System:</b> GALVANIZED
<b>Date &amp; Material of Interior Coating System:</b> GALVANIZED

## Exterior of Tank

O.K.	Problem	NA	Description
X			<i>Foundation:</i> settling, cracks, deterioration
X			<i>Protective Coating:</i> rust, pitting, corrosion, leaks
		X	<i>Water Level Indicator:</i> operable, cable access opening protected
		X	<i>Overflow Pipe:</i> flap valve cover accessible, operable, sealed
		X	<i>Access Ladder:</i> loose bolts or rungs
		X	<i>Roof:</i> low spots for ponding water, holes along seams, rust
		X	<i>Air Vents:</i> proper design, screened, sealed edges and seams
		X	<i>Cathodic Protection Anode Plates:</i> secured and sealed
		X	<i>Roof Hatch:</i> proper design, locked, hinge bolts secured, gasket
X			<i>Pressure Tank Operational Status:</i> pressure release device, pressure gauge, air-water volume device

## Interior of Tank

O.K.	Problem	NA	Description
		X	<i>Water Quality:</i> insects, floating debris, sediment on the bottom
		X	<i>Protective Coating:</i> rust, corrosion, scaling

<b>Date:</b> 2012	<b>Last Inspection of Pressure Tank Interior</b>
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## Comments

<b>Name of Inspector:</b> KELLY BREWER
<b>Date of Inspection:</b> 12/2014

11

ID# 1000069

Date	5-26-14
Mst. Meter 1	1372300
Mst. Meter 2	28261200
Residue 5196 Oakwood	159
CL2 Used	1
CL2 left	7 1/2
CL2 Pump	7.5
Phosphate Used	2
Phosphate Left	<del>4</del> 3 1/4
Phosphate Pump	65/40
Pressure	58
Air Level	1 1/2
Storage Level	-
Grounds	good
Booster Rotation	-

Date	
Mst. Meter 1	
Mst. Meter 2	
Residue	4861 Lakewood
CL2 Used	
CL2 left	
CL2 Pump	
Phosphate Used	
Phosphate Left	
Phosphate Pump	
Pressure	
Air Level	
Storage Level	
Grounds	
Booster Rotation	

Flush Date	Address	Residue
5-8-12	5436 Lakewood	1.50
	5379 Lakewood	1.45
	4724 Lakewood	1.52
	4837 Lakewood	1.54
Notes		

18

## Breakaway

ID# 1000069

Date	6-2-14
Mst. Meter 1	1384400
Mst. Meter 2	28289100
Residue 5436 Lakewood	1.48
CL2 Used	1
CL2 left	1/2
CL2 Pump	7.5
Phosphate Used	1
Phosphate Left	1/4
Phosphate Pump	60/40
Pressure	60
Air Level	4"
Storage Level	-
Grounds	good
Booster Rotation	-

Date	6-23-14
Mst. Meter 1	1425700
Mst. Meter 2	28350100
Residue 5196 Oakwood	1.31
CL2 Used	1
CL2 left	1/2
CL2 Pump	7.5
Phosphate Used	1
Phosphate Left	3/4
Phosphate Pump	65/40
Pressure	60
Air Level	1'7"
Storage Level	-
Grounds	good
Booster Rotation	-

Date	6-9-14
Mst. Meter 1	1397800
Mst. Meter 2	28302300
Residue 6104 Oakwood	1.50
CL2 Used	1
CL2 left	1/2
CL2 Pump	7.5
Phosphate Used	1
Phosphate Left	1/4
Phosphate Pump	60/40
Pressure	60
Air Level	5'↑
Storage Level	-
Grounds	good
Booster Rotation	-

Date	6-30-14
Mst. Meter 1	1443200
Mst. Meter 2	28376000
Residue 4861 Lakewood	1.52
CL2 Used	1
CL2 left	1/2
CL2 Pump	7.5
Phosphate Used	2
Phosphate Left	3/4
Phosphate Pump	65/40
Pressure	60
Air Level	2'↑
Storage Level	-
Grounds	good
Booster Rotation	-

Date	6-16-14
Mst. Meter 1	1409800
Mst. Meter 2	28326000
Residue 5381 Oakwood	1.27
CL2 Used	1/4
CL2 left	1/2
CL2 Pump	7.5
Phosphate Used	New
Phosphate Left	3/4
Phosphate Pump	65/40
Pressure	60
Air Level	2'↑
Storage Level	-
Grounds	good
Booster Rotation	-

Flush Date	Address	Residue
6-9	5436 Lakewood	1.52
6-16	5379 Lakewood	1.25
6-30	4724 Lakewood	1.54
6-30	4837 Lakewood	1.59
Notes		

Breakaway  
ID# 1000069

D.74

Date	7-7-14
Mst. Meter 1	1459900
Mst. Meter 2	28400800
Residue 5436 Lakewood	1.48
CL2 Used	1
CL2 left	1 1/2
CL2 Pump	7 1/2
Phosphate Used	2
Phosphate Left	2 2/3
Phosphate Pump	65/40
Pressure	59
Air Level	@ mark
Storage Level	-
Grounds	good
Booster Rotation	-

Date	7-28-14
Mst. Meter 1	1517200
Mst. Meter 2	28486900
Residue 5196 Oakwood	.53
CL2 Used	1
CL2 left	1 1/2
CL2 Pump	7.5
Phosphate Used	2
Phosphate Left	2 1/2
Phosphate Pump	65/40
Pressure	58
Air Level	2' T
Storage Level	-
Grounds	good
Booster Rotation	-

Date	7-14-14
Mst. Meter 1	1476100
Mst. Meter 2	28425100
Residue 6104 Oakwood	.56
CL2 Used	.5
CL2 left	1 1/2
CL2 Pump	7 1/2
Phosphate Used	2
Phosphate Left	2 2/3
Phosphate Pump	65/40
Pressure	60
Air Level	2' T
Storage Level	-
Grounds	good
Booster Rotation	-

Date	
Mst. Meter 1	
Mst. Meter 2	
Residue 4861 Lakewood	
CL2 Used	
CL2 left	
CL2 Pump	
Phosphate Used	
Phosphate Left	
Phosphate Pump	
Pressure	
Air Level	
Storage Level	
Grounds	
Booster Rotation	

Date	7-21-14
Mst. Meter 1	1495200
Mst. Meter 2	28453800
Residue 5381 Oakwood	.38
CL2 Used	1
CL2 left	1 1/2
CL2 Pump	7.5
Phosphate Used	2
Phosphate Left	2 2/3
Phosphate Pump	65/40
Pressure	61
Air Level	4' T
Storage Level	-
Grounds	good
Booster Rotation	-

Flush Date	Address	Residue
7-7-14	5436 Lakewood	1.54
7-14-14	5379 Lakewood	.64
7-21-14	4724 Lakewood	.39
7-21-14	4837 Lakewood	.37
Notes		
7-21-14 Change CL2 tube		

80

87



## Franchise Tax Account Status

As of: 08/04/2015 10:21:36 AM

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**This Page is Not Sufficient for Filings with the Secretary of State**

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### **WATER NECESSITIES, INC.**

Texas Taxpayer Number	32002878901
Mailing Address	1020 N MAIN ST VIDOR, TX 77662-4340
Right to Transact Business in Texas	ACTIVE
State of Formation	TX
Effective SOS Registration Date	10/09/2000
Texas SOS File Number	0160088700
Registered Agent Name	LARRY BREWER
Registered Office Street Address	4192 E. RAILROAD VIDOR, TX 77662



## PROMISSORY NOTE

DATE: october 1, 2005

Maker: Water Necessities, Inc.

Maker's Mailing Address: P.O. Box 62, Vidor, Orange County, Texas 77670

Payee: T. Johnson Industries, Inc., a Texas Corporation

Principal Amount: Seventy Eight Thousand Two Hundred and No/100 Dollars (\$78,200.00)

Annual Interest Rate on Unpaid Principal from Date: Nine Percent (9.00%)

Annual Interest Rate on Matured, Unpaid Amounts: Eighteen (18%) Percent

### Terms of Payment:

Principal and interest are payable in monthly installments of Nine Hundred Ninety and 60/100 DOLLARS (\$990.60) (or more at Maker's option) Each, on or before the 1<sup>st</sup> day of every month, beginning October 1, 2005, and continuing regularly until all principal and interest have been paid. Interest will be calculated on the unpaid principal to the date of each payment. Payments will be credited first to the accrued interest and then to reduction of principal. Maker may prepay, all or part at any time without penalty.

**Late Charge** for payment received after due date: In addition, a 5 cents per dollar late fee will be incurred by Maker if the monthly payment is not received by Payee at the designated place for payment within 7 days from the due date.

**Security for Payment:** Contract for Deed of even date from Payee to Maker on the property described as follows, to-wit:

Tract I.

The surface estate of, and all water, in, on and under, Lot No. Twelve (12) in Breakway Trails, a subdivision in Beaumont Colony, located in Hardin County, Texas, according to the map or plat thereof recorded in Volume 3, Page 157 of the Plat Records of Hardin County, Texas, together with the water system, and all wells, water tanks, pumps, pressure tanks, fences, utility poles,

driveways, rights of way, chemicals and other items currently used to operate the water system and all easements being utilized for distributions by the water system, and all rights to operate the water system and all water line easements and water lines and any and all other assets of the water system in said subdivision, including real or personal property.

#### Tract II.

A 0.333 acre tract of land in B.B.B. & C. R.R. Company Survey, Section 1, Abstract 124, Hardin County, Texas, more particularly described in Exhibit A attached hereto and made a part hereof for all purposes, together with the water system, and all wells, pumps, pressure tanks, fences, utility poles, rights of way, chemicals and other equipment and accessories thereon used in connection therewith and/or used to operate the water system located in the North Woods Subdivision described in the deed recorded in Volume 748, Page 749 of the Hardin County Deed Records, and all easements being utilized for distributions by the water system, and all rights to operate the water system at North Woods, and all water line easements and water lines and any and all other assets of the water system in said subdivision sections one and two, including real or personal property.

Maker promises to pay to the order of Payee, at the place for payment and according to the terms of payment, the principal amount plus interest at the rates stated above. All unpaid amounts shall be due by the final scheduled payment date.

If Maker defaults in the payment of this note, or in the performance of any obligation in any instrument securing or collateral to it, and the default continues after Payee gives Maker notice of the default and a reasonable time within which it must be cured, as may be required by law or by the written agreement, then Payee may declare the unpaid principal balance and earned interest on this note immediately due. Maker and each surety, endorser, and guarantor waives all demands for payment, presentations for payment, notices of intention to accelerate maturity, notices of acceleration of maturity, protest, and notices of protest, to the extent permitted by law.

If this note or any instrument securing or collateral to it is given to an attorney for collection or enforcement, or if suit is brought for collection or enforcement, or if it is collected or enforced through probate, bankruptcy, or other judicial proceeding, then Maker shall pay Payee all costs of collection and enforcement, including reasonable attorney's fees and court costs, in addition to other amounts due. Reasonable attorney's fees shall be 10% of all amounts due unless either party pleads otherwise.

Interest on the debt evidenced by this note shall not exceed the maximum amount of non-usurious interest that may be contracted for, taken, reserved, charged, or received under law; any interest in excess of that maximum amount shall be credited on the principal of the debt or, if that has been paid, refunded. On any accelerated or required or permitted prepayment, any such excess shall be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the debt or, if the principal of the debt has been paid, refunded. This provision overrides all other provisions in this and all other instruments concerning the debt.

In the event there is a sale of this property without prior approval of the Payee, then at the election of Payee, he may approve the Buyer or he may consider the sale as a violation of the terms of this note and the Contract for Deed and Payee may give notice of default and forfeiture.

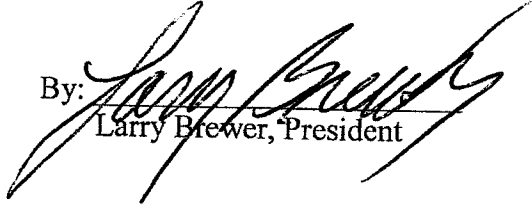
This note may be paid at any time without any prepayment penalty by paying the interest up to date and then paying the amount of the prepaid principal.

Each Maker is responsible for all obligations represented by this note.

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

Water Necessities, Inc.

By:

  
Larry Brewer, President

**EXHIBIT "A"**

Being 0.333 of an acre tract in the NORTH WOODS Subdivision in the B.B.B. & C. R.R. Company Survey, Section No. 1 Abstract No. 124, Hardin County, Texas, as shown by the plat recorded in Volume 2, page 173-A, Plat Records of Hardin County, Texas, said 0.333acre tract being described as follows:

BEGINNING at an iron rod in the South line of said Subdivision, at its intersection with the West edge of Holly Drive;

THENCE South 88° 51' 32" West along and with the said South line, 190.00 feet to a point for corner in the Southeast edge of a graded road;

THENCE along and with the Southeast edge of Said Road, as follows:

1. North 48° 40' East 150.00 feet;

2. North 60° 39' 30" East 85.00 feet to a point for corner in the West-edge of the said Holly Drive;

THENCE South 01° 52' 30" East along and with The West edge of Holly Drive 138.00 feet to the PLACE OF BEGINNING, containing 0.333 of an acre of land.

85

CONTRACT FOR DEED

Date: OCTOBER 1, 2005

Seller: T Johnson Industries, Inc., a Texas Corporation

Seller's Mailing Address: P. O. Box 8009, Lumberton, Hardin County, Texas 77657

Buyer: Water Necessities, Inc.

Buyer's Mailing Address: P. O. Box 62, Vidor, Orange County, Texas 77670

Property: Tract I and Tract II, as described below:

Tract I.

The surface estate of, and all water, in, on and under, Lot No. Twelve (12) in Breakway Trails, a subdivision in Beaumont Colony, located in Hardin County, Texas, according to the map or plat thereof recorded in Volume 3, Page 157 of the Plat Records of Hardin County, Texas, together with the water system, and all wells, water tanks, pumps, pressure tanks, fences, utility poles, driveways, rights of way, chemicals and other items currently used to operate the water system and all easements being utilized for distributions by the water system, and all rights to operate the water system and all water line easements and water lines and any and all other assets of the water system in said subdivision, including real or personal property.

Tract II.

A 0.333 acre tract of land in B.B.B. & C. R.R. Company Survey, Section 1, Abstract 124, Hardin County, Texas, more particularly described in Exhibit A attached hereto and made a part hereof for all purposes, together with the water system, and all wells, pumps, pressure tanks, fences, utility poles, rights of way, chemicals and other equipment and accessories thereon used in connection therewith and/or used to operate the water system located in the North Woods Subdivision described in the deed recorded in Volume 748, Page 749 of the Hardin County Deed Records, and all easements being utilized for distributions by the water system, and all rights to operate the water system at North Woods, and all water line easements and water lines and any and all other assets of the water system in said subdivision sections one and two, including real or personal property.

86

Reservations from and Exceptions to Conveyance and Warranty:

All governmental regulations, right-of-way conveyances, easements and other restrictive conditions of record affecting said property as of the date of this Contract for Deed.

Sale Price: Ninety Two Thousand and no/100 Dollars (\$92,000.00).

Down Payment: Thirteen Thousand Eight Hundred and no/100 Dollars (\$13,800.00).

Deferred Principal Amount: Seventy Eight Thousand Two Hundred and no/100 Dollars (\$78,200.00) as evidenced by the Promissory Note of even date herewith.

Annual Interest Rate on Unpaid Principal from Date: Nine percent (9.00%) per annum

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

Monthly Payments:

Principal and interest are payable in equal monthly installments of Nine Hundred Ninety and 60/100 DOLLARS (\$990.60) (or more at Buyer's option) each, on or before the 1st day of each month, beginning October 1, 2005, and continuing regularly on the same date of each month thereafter until the principal and interest have been paid. Interest will be calculated on the unpaid principal to the date of each payment. Payments will be credited first to the accrued interest and then to reduction of principal if any. Buyer may prepay, all or part, at any time without penalty.

Place for Payment: P. O. Box 8009, Lumberton, Texas, 77657, or as directed in writing by Seller.

Date of monthly Payments: On or before the 1st day of each month.

Date of First monthly Payment: **NOV. 1**, 2005

Other Terms of Payment: See Note signed of even date herewith for additional terms not set out in this Contract.

Seller agrees to sell the property to Buyer; Buyer agrees to buy it; and both parties agree to be bound by this Contract.

Seller warrants that there are presently no liens or encumbrances against the property. Seller agrees not to put, or allow, any liens on property and not to grant any easements on the property without Buyers written approval.

87

Buyer agrees to pay Seller the sales price for the property. Buyer is paying Seller the down payment concurrently with entering this contract; Buyer will pay Seller the deferred principal amount plus the annual interest on the unpaid deferred principal balance in monthly payments on the dates and at the place specified. Monthly payments will begin on the date of the first monthly payment and continue regularly until the entire deferred principal amount plus interest has been paid.

Interest will be calculated on the unpaid deferred principal amount to the date of each payment made. Payments will be credited first to the accrued interest and then to reduction of principal.

When Buyer has paid the entire deferred principal amount, earned interest, and any other debt owed under this contract, Seller will convey the property, free and clear of all liens and encumbrances, to Buyer by warranty deed subject to the reservations from and exceptions to conveyance and warranty set forth above. Further upon said final payment, Seller shall convey to Buyer the Certificates of Convenience and Necessity for said Water Systems, including, but not limited to CCN 12647, and shall assist Buyer in having said Certificates of Convenience and Necessity reissued by the State of Texas into the name of Buyer.

#### Buyer's Obligations

1. On or before the making of this contract, Seller will pay, or be responsible for paying, all taxes and assessments against the property through December 31, 2004. Taxes for the year 2005 shall be pro-rated to the date of this contract, with Seller paying prior to January 31, 2006, the portion of the 2005 taxes from January 1, 2005 through the date of this contract, and with Buyer paying prior to January 31, 2006 the portion of the 2005 taxes from date of this contract through December 31, 2005. Each party shall provide to the other party proof of payment of the pro-rated no later than February 1, 2006. For all taxes for 2006 and subsequent years, Buyer shall pay all such taxes and shall provide to Seller proof of payment no later than February 1 of the year following the imposition of the taxes, e.g., the 2006 taxes shall be paid and proof given to Seller no later than February 1, 2007.

2. Both these properties are water systems (except for improvements that may be made by Buyer) and Seller does not require Buyer to carry any insurance.

3. Buyer will keep the properties in good repair and condition.

4. Buyer will permit Seller and Seller's agents, with reasonable prior notice to Buyer, to enter the property at reasonable times to inspect it for compliance with Buyer's obligations.

58

5. If Buyer defaults in the performance of any obligation, Buyer will reimburse Seller on demand at the place for payment for all of Seller's costs of collection and enforcement, including reasonable attorney's fees, plus interest on those sums from the dates of payment at the annual interest rate on matured, unpaid amounts. The sum to be reimbursed shall be added to and become a part of the deferred principal amount. Reasonable attorney's fees shall be ten (10) percent of all matured and unpaid amounts due under this contract unless either party pleads otherwise.

#### Seller's Rights

1. Seller may apply any proceeds from the insurance policy, if any, at Buyer's option, either to reduce the deferred principal amount or to repair or replace damaged or destroyed improvements covered by the policy.

2. If Buyer defaults in prompt payment of the monthly payments or violates any other of Buyer's obligations, Seller, after giving Buyer written notice of the defaults by registered mail to Buyer's address herein contained, and at least 60 days to cure, may, if the defaults are not so cured within said 60 days, invoke the following remedies, subject only to provisions of the Texas Property Code:

- a. declare the entire unpaid deferred principal amount and earned interest immediately due and enforce their collection; or
- b. cancel this contract, declare all of Buyer's interest under this contract forfeited, and retain as liquidated damages all money paid by Buyer to Seller under this contract, in which case the money is considered liquidated damages rather than a penalty, due to the inconvenience and difficulty of determining Seller's actual damages; and
- c. collect rents if the property is rented or rent it and collect rents if it is vacant, and apply the proceeds, less reasonable expenses, to payment of the deferred principal amount.

If the property is not to be used as Buyer's residence, Seller may invoke any or all of these remedies if Buyer's default is not cured during the cure period. If the property is used or to be used as Buyer's residence, the grace period for default is determined by Section 5.061 of the Texas Property Code or its successors and by any other controlling law. Section 5.061 requires a notice of Seller's intent to forfeit and accelerate, which must be given as specified in Section 5.062 of the Code. Furthermore, the statute requires different waiting times between giving notice and proceeding to forfeit and accelerate:

- a. if Buyer has paid less than 10 percent of the sale price, fifteen days after the date notice is given;

89



b. if Buyer has paid 10 percent or more but less than 20 percent of the sale price, thirty days after the date notice is given; and

c. if Buyer has paid 20 percent or more of the sale price, sixty days after the date notice is given.

Moreover, during any of these applicable periods Buyer may cure default by complying with the terms of this contract up to the date of compliance.

#### GENERAL PROVISIONS

1. As long as Buyer promptly performs all obligations in this contract, Buyer has the right to possession of the property. If this contract is canceled because of Buyer's default, Buyer will immediately surrender possession of the property to Seller. If Buyer fails to do so, Buyer will become a tenant a sufferance of Seller, subject to an action for forcible detainer.

2. Neither this contract nor any part of or interest in the property may be assigned, sold, conveyed, transferred, pledged, or mortgaged by Buyer without the written consent of Seller.

3. If the property is not used and not to be used as Buyer's residence, any notice under this contract must be written and must be personally delivered or sent by registered or certified mail to Seller's or Buyer's mailing address, which may be changed by written notice to the other party; notice under this contract will be considered given on the date of personal delivery or mailing. If the property is used or to be used as Buyer's residence, all notices from Seller to Buyer must be written, must be conspicuous, must be printed in ten-point boldface type or uppercase typewritten letters, and must include the statement, required by Section 5.062 of the Texas Property Code. If mailed, the notice must be registered or certified, and it will be considered given on the date it is mailed to Buyer's residence or place of business. If not mailed, the notice is considered given when it is delivered to Buyer at Buyer's residence or place of business.

4. Interest on the debt evidenced by this contract shall not exceed the maximum amount of non-usurious interest that may be contracted for, taken, reserved, charged, or received under law; any interest in excess of that maximum amount shall be credited on the principal of the debt or, if that has been paid, refunded. On any acceleration or required or permitted prepayment, any such excess shall be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the debt or, if the principal of the debt has been paid, refunded. This provision overrides other provisions in this and all other instruments concerning the debt.

5. If this contract is recorded and if Seller cancels it and forfeits all of Buyer's interest under it because of Buyer's default, Seller may execute an affidavit stating substantially that:

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- a. Buyer defaulted in prompt payment of the monthly payments (or state other default or violation;
- b. Seller gave Buyer notice of default strictly as required by this contract (a copy of which is attached to, incorporated in, and made a part of this affidavit for all purposes);
- c. Buyer did not cure the default or other violation within the limits permitted by this contract and the law: and
- d. Seller canceled this contract, declared all of Buyer's interest under it forfeited, retained as liquidated damages all money paid by Buyer to Seller under this contract, and gave Buyer notice of Seller's action (a copy of which is attached to, incorporated in, and made a part of this affidavit for all purposes).

The truth of the facts stated in Seller's affidavit (when the affidavit is recorded in the real estate records in the county where the property is located) shall, unless a contra affidavit is filed by Buyer, be binding on and conclusive against Buyer as to all bona fide good-faith purchasers and lien-holders for value and all title insurance companies and title insurance companies insuring title to or liens against the property who act without actual notice of any falsities in the affidavit. This provision protects only those third parties from claims or Buyer and does not release or protect Seller from any claims by Buyer.

6. Buyer understands and acknowledges that Buyer is not acquiring legal title by this contract and that Buyer will not acquire legal title until Seller's deed is delivered.

7. If Buyer constructs, erects, or places any permanent improvements on the property, Buyer must pay for all costs of the improvements without in any way placing a lien on the property or said improvements, and they will become a part of the real estate. If Seller cancels this contract and forfeits Buyer's interest, all permanent improvements, including those made by Buyer will be the property of Seller.

8. Seller may transfer legal title to the property without Buyer's consent provided that Seller, at least sixty days prior there to, gave advance written notice to Buyer by registered mail to buyer's address herein contained of the terms of said transfer and gave Buyer the right of first refusal with the opportunity to acquire said title under the same terms, and provided Buyer did not exercise said right of first refusal. If Seller transfers legal title, Seller will require the transferee to assume Seller's obligations in this contract and the transfer and assumption of obligations by the transferee will release Seller from all obligations to Buyer.

9. Buyer has examined the property to Buyer's complete satisfaction and knows its condition. In purchasing the property, Buyer relies only on Buyer's examination and judgment, and any one that Buyer may have had inspect the property, and not on any

21

representation made by Seller or any other person acting on behalf of Seller as to value, future value, condition, size, age, use, or any other matter. Buyer acknowledges that in selling the property Seller makes no warranties other than title. This contract and the Promissory Note are the entire and only agreements, between Buyer and Seller, and they incorporate all other written, verbal, express, and implied agreements made between any party or any agent of any party to this contract in connection with this transaction. If any provisions in this contract conflict with any provisions in any other instrument, those in this contract shall control.

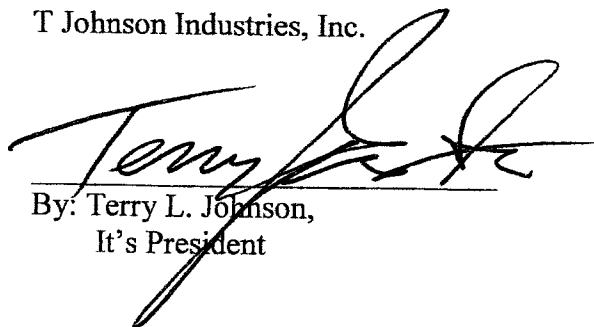
10. No delay by Seller in enforcing any part of this contract shall be deemed a waiver of any of Seller's rights or remedies. If Seller accepts any payment after its due date, the acceptance shall not be construed as a waiver of any other due date, shall not change any other due date, and shall not waive any of Seller's rights or remedies.

11. This agreement shall bind, inure to the benefit of, and be exercised by successors in interest of all parties, but provision is subject to paragraph 2 and paragraph 8 of these General Provisions.

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

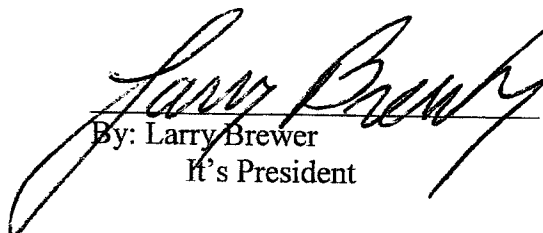
SELLER:

T Johnson Industries, Inc.

  
By: Terry L. Johnson,  
It's President

BUYER:

Water Necessities, Inc.

  
By: Larry Brewer  
It's President

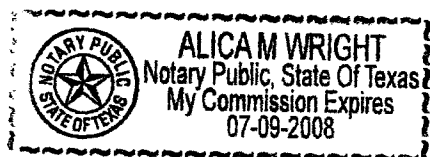
THE STATE OF TEXAS

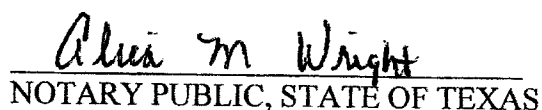
\*

COUNTY OF Hardin

\*

This instrument was acknowledged before me on the 19 day of September, 2005, by Terry L. Johnson, President of T Johnson Industries, Inc., a Texas Corporation, and as the act and deed of said corporation.



  
NOTARY PUBLIC, STATE OF TEXAS

98

THE STATE OF TEXAS

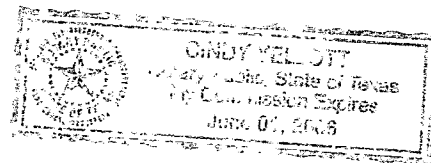
\*

COUNTY OF Hardin

\*

This instrument was acknowledged before me on the 15 day of September, 2005, by Larry Brewer, as the President of Water Neccessities, Inc., a Texas Corporation, and as the act and deed of said corporation.

Cindy Helcott  
NOTARY PUBLIC, STATE OF TEXAS



Subscribed and sworn to before me on the 15th day of September, 2005, at the County of Hardin, State of Texas.

AUG 27 2007

HARDIN COUNTY, KOUNTZE, TX  
GLENDA ALSTON, COUNTY CLERK

08/27/2007 #2007-7545  
12:20:40PM B-1638 P-342

**OVERSIZED DOCUMENTS**

**MAPS**

**TO VIEW OVERSIZED DOCUMENTS PLEASE GO TO CENTRAL RECORDS**

**512-936-7180**

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