



Control Number: 47361



Item Number: 10

Addendum StartPage: 0

DOCKET NO. 47361

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|--------------------------------|---|---------------------------|
| APPLICATION OF HOUSE HAHL | § | PUBLIC UTILITY COMMISSION |
| COMMERCIAL OWNERS | § | |
| ASSOCIATION, INC. FOR A SEWER | § | OF TEXAS |
| CERTIFICATE OF CONVENIENCE | § | |
| AND NECESSITY IN HARRIS COUNTY | § | |

HOUSE HAHL COMMERCIAL OWNERS ASSOCIATION, INC.'S
RESPONSES TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION

Applicant, House Hahl Commercial Owners Association, Inc. (HHCOA) submits the following Responses to Commission Staff's First Request for Information.

Objections and Responses to Commission Staff's First Request for Information

Staff 1-1 The TCEQ issued an enforcement order against Water Quality Permit No. WQ0015090001 on February 8, 2017. Please explain how the enforcement order will be addressed. If compliance has been achieved, provide documentation from TCEQ verifying that the issues have been resolved.

Response: The cause of the non-compliance issues has been traced back to a tenant discharging a solution that was causing toxicity to the treatment plant process. HHCOA is working with the tenant to make changes that will ensure that the treatment plant can maintain compliance. The final order has not been sent from TCEQ as of this date. As soon as the final order is sent, HHCOA will send in the required information.

Staff 1-2 The historical and projected cash flow statements and balance sheets for the next five years were not provided as required in the CCN application. Please provide this information as part of your application.

Response: HHCOA is new and only has historical information that was already included in the application. 2016 and 2017 financial information for Soren Strategies LLC was included in the original application. 2013-2015 financial information is included here as Attachment A. 2016 and 2017 financial information for LEG Transport, LLC was included in the original application. 2015 financial information is included here as Attachment B. There is not any historical financial information for LEG Transport, LLC prior to 2015. Projected income/expense information and projected balance sheet information for eight years was included as page 10 of the pro forma that was included with the original application. For ease, it has been included here as Attachment C.

10 1

Staff 1-3 Please clarify if projected year 1 of the year 1 – year 8 income/expense statement is intended to be the year of 2017 or 2018.

Response: Since HHCOA cannot charge for sewer service until the CCN is approved, Year 1 of the year 1 – year 8 income/expense statement is intended to be the year of 2018.

Staff 1-4 Please clarify and provide supporting documentation regarding how the plant is being funded, e.g. 100% debt, debt and equity, customer contributions, etc.

Response: The wastewater plant has already been constructed. The purchase price for the plant was \$459,696. Soren Strategies, LLC and LEG Transport, LLC paid 25% of the purchase price in cash. The remaining 75% was part of a larger loan for the development financed through Plains Capital Bank. House Hahl COA now has a lease on the wastewater plant, which supplies the monthly payment to the bank. (See Attachment D for supporting documentation.)

Respectfully submitted,

WaterEngineers, Inc.
17230 Huffmeister Road, Suite A
Cypress, Texas 77429
Telephone: (281) 373-0500
Fax (281) 373-1113

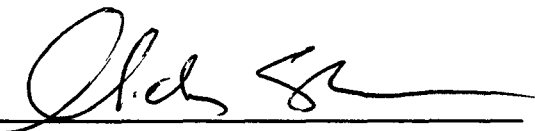
By: 
Shelley Young, P.E.

Engineer for House Hahl Commercial
Owners Association., Inc.

VERIFICATION

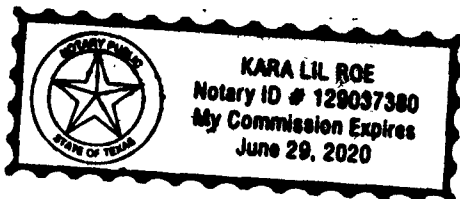
STATE OF TEXAS §
 §
COUNTY OF HARRIS §

I hereby verify that the foregoing Responses to Commission Staff's First Request for Information Nos. Staff 1-1, Staff 1-2, Staff 1-3 and Staff 1-4 are true and correct.


By: 

Michael Keyser
House Hahl Commercial Owners
Association, Inc.

SUBSCRIBED AND SWORN TO BEFORE ME this 18 day of August, 2017.



[SEAL]



Notary Public, State of Texas

Kara Lil Roe
Printed Name

My Commission Expires: June 29, 2020

CERTIFICATE OF SERVICE

I hereby certify that on August 18, 2017, the foregoing document and attachments were filed with all parties of record in this proceeding via electronic submission through the PUC Filer and via delivery of hard copies to Central Records at the PUC.


Shelley Young

ATTACHMENT A

| Profit and Loss Statement 2013 | | |
|--------------------------------|--------------|---------------------|
| Commissions | | |
| Blackhorse Management | \$ 15,033.70 | |
| Idrive Logistics | \$ 13,882.43 | |
| Total Commissions | | \$ 28,916.13 |
| Expenses | | |
| Commissions Paid Bryan Hagan | \$ 3,785.23 | |
| Commissions Paid YBA Shirts | \$ 1,892.35 | |
| Payroll | \$ 3,778.64 | |
| Payroll Taxes | \$ 732.94 | |
| Supplies | \$ 39.00 | |
| Bank Fees | \$ 400.00 | |
| Total Expenses | | \$ 10,628.16 |
| | | |
| Net Profit | | \$ 18,287.97 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Soren Strategies, LLC
Profit and Loss
January - December 2014

| | Total |
|---------------------------|-----------------------|
| Income | |
| Commissions & fees | 95,233.98 |
| Equipment Lease | 40,974.88 |
| Miscellaneous Income | 825.00 |
| Total Income | <u>\$137,033.62</u> |
| Gross Profit | <u>\$137,033.62</u> ✓ |
| Expenses | |
| Bank Charges | 187.00 ✓ |
| Commissions & Royalties | 6,974.55 ✓ |
| Interest Expense | 13,303.91 ✓ |
| Legal & Professional Fees | 1,134.95 ✓ |
| Meals and Entertainment | 4,733.24 ✓ |
| Office Expenses | 195.92 ✓ |
| Payroll | 7,638.89 |
| Taxes & Licenses | 9,010.36 |
| Travel | 156.07 ✓ |
| Utilities | 110.39 ✓ |
| Total Expenses | <u>\$43,445.28</u> |
| Net Operating Income | <u>\$93,688.34</u> |
| Other Income | |
| Interest Earned | 3,520.59 |
| Total Other Income | <u>\$3,520.59</u> |
| Net Other Income | <u>\$3,520.59</u> |
| Net Income | <u>\$97,108.93</u> |

Soren Strategies, LLC
Balance Sheet
As of December 31, 2014

| | Total |
|------------------------------------|----------------------------|
| ASSETS | |
| Current Assets | |
| Bank Accounts | |
| Bank of America - Checking | 114,355.33 |
| Total Bank Accounts | <u>\$114,355.33</u> |
| Other current assets | |
| Loan To Mike | 694.33 |
| Notes Receivable - Moffitt Caswell | 30,100.82 |
| Total Other current assets | <u>\$30,795.15</u> |
| Total Current Assets | <u>\$145,150.48</u> |
| Fixed Assets | |
| Accumulated Depreciation | -329,977.00 |
| Truck and Trailers | 329,977.00 |
| Total Fixed Assets | <u>\$0.00</u> |
| TOTAL ASSETS | <u><u>\$145,150.48</u></u> |
| LIABILITIES AND EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Credit Cards | |
| Credit Card | 7,530.34 |
| Total Credit Cards | <u>\$7,530.34</u> |
| Other Current Liabilities | |
| M&D Development A/R | -32.24 |
| Total Other Current Liabilities | <u>\$ -32.24</u> |
| Total Current Liabilities | <u>\$7,498.10</u> |
| Long-Term Liabilities | |

| | |
|------------------------------|-----------------------|
| Notes Payable | 284,658.92 |
| Total Long-Term Liabilities | <u>\$284,658.92</u> |
| Total Liabilities | <u>\$292,157.02</u> |
| Equity | |
| Equity Contribution | 60,846.24 |
| Opening Balance Equity | 28,010.47 |
| Partner Distribution | 2,075.63 |
| Retained Earnings | -334,846.71 |
| Net Income | <u>97,106.93</u> |
| Total Equity | <u>\$ -147,006.54</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$145,150.48</u> |

Tuesday, Aug 25, 2015 09:46:23 AM PDT GMT-5 - Accrual Basis

This report was created using QuickBooks Online Simple Start.

Soren Strategies, LLC

PROFIT AND LOSS

January - December 2015

| | TOTAL |
|-----------------------------|---------------------|
| INCOME | |
| Commissions & fees | 690,126.72 |
| Equipment Lease | 81,949.32 |
| Miscellaneous Income | 33.10 |
| Total Income | \$772,109.14 |
| GROSS PROFIT | \$772,109.14 |
| EXPENSES | |
| Advertising | 200.00 |
| Bank Charges | 55.74 |
| Charitable contributions | 7,000.00 |
| Commissions & Royalties | 5,700.50 |
| Dues & Subscriptions | 4,500.00 |
| Interest Expense | 10,550.18 |
| Legal & Professional Fees | 1,499.95 |
| Meals and Entertainment | 18,145.04 |
| Office Expenses | 3,320.41 |
| Outside Services | 5,891.07 |
| Repair & Maintenance | 189.99 |
| Taxes & Licenses | 770.22 |
| Travel | 134.83 |
| Utilities | 515.15 |
| Total Expenses | \$58,472.88 |
| NET OPERATING INCOME | \$713,636.26 |
| OTHER INCOME | |
| Interest Earned | 846.74 |
| Total Other Income | \$846.74 |
| OTHER EXPENSES | |
| Miscellaneous | 422.12 |
| Total Other Expenses | \$422.12 |
| NET OTHER INCOME | \$424.62 |
| NET INCOME | \$714,060.88 |

Soren Strategies, LLC

BALANCE SHEET

As of December 31, 2015

| | TOTAL |
|---|---------------------|
| ASSETS | |
| Current Assets | |
| Bank Accounts | |
| Bank of America - Checking | 628,040.46 |
| Total Bank Accounts | \$628,040.46 |
| Other Current Assets | |
| Loan To Mike | 9,562.19 |
| M&D Loan | 5,318.08 |
| Notes Receivable - MLK Assets | -20,000.00 |
| Notes Receivable - Moffitt Caswell | 6,562.40 |
| Total Other Current Assets | \$1,442.67 |
| Total Current Assets | \$627,483.13 |
| Fixed Assets | |
| 2015 Malibu Wake Setter | 40,205.00 |
| Accumulated Depreciation | -329,977.00 |
| House Boat | 103,727.00 |
| Investment in Diverse Management & Development, LLC | 6,000.00 |
| Investment in Little Todd Investments | 37,757.41 |
| Truck and Trailers | 329,977.00 |
| Total Fixed Assets | \$187,889.41 |
| TOTAL ASSETS | \$815,172.54 |
| LIABILITIES AND EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Credit Cards | |
| Credit Card | 143.09 |
| Total Credit Cards | \$143.09 |
| Other Current Liabilities | |
| Line of Credit | -2,076.96 |
| M&D Development A/R | -32.24 |
| Total Other Current Liabilities | \$ -2,109.20 |
| Total Current Liabilities | \$ -1,966.11 |
| Long-Term Liabilities | |
| Notes Payable | 251,474.56 |
| Total Long-Term Liabilities | \$251,474.56 |
| Total Liabilities | \$249,508.45 |
| Equity | |
| Equity Contribution | 80,845.24 |
| Investment in Power Washing Business | -1,053.99 |
| Opening Balance Equity | -28,010.47 |
| Partner Distribution | 12,125.10 |
| Retained Earnings | -248,123.61 |

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| | TOTAL |
|-------------------------------------|---------------------|
| Net Income | 714,060.88 |
| Total Equity | \$565,664.09 |
| TOTAL LIABILITIES AND EQUITY | \$815,172.54 |

ATTACHMENT B



Logan Office:

1011 West 400 North, Suite 100
Logan, UT 84323-0747
Phone: (435) 752-1510 • (877) 752-1510
Fax: (435) 752-4878

Salt Lake City Office:

560 South 300 East, Suite 250
Salt Lake City, UT 84111
Phone: (801) 561-6026
Fax: (801) 561-2023

DISCLAIMER

To the owner of LEG Transport LLC

We have been engaged to prepare financial statements with no disclosures in accordance with the income tax basis of accounting based on information provided by you. The financial statements were not subjected to an audit, review, or compilation engagement by us, and accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

Jones Simkins LLC

JONES SIMKINS LLC
Logan, Utah
March 21, 2016

LEG Transport LLC
Statement of Assets, Liabilities and Equity-Income Tax Basis
As of December 31, 2015

| | Dec 31, 15 |
|---------------------------------------|-------------------|
| ASSETS | |
| Current Assets | |
| Checking/Savings | |
| Wells Fargo | 20,709.27 |
| Total Checking/Savings | 20,709.27 |
| Total Current Assets | 20,709.27 |
| Fixed Assets | |
| Semi Tractors | |
| Peterbilt 236948 | 167,224.75 |
| Peterbilt 236950 | 167,236.75 |
| Peterbilt 260589 | 149,288.25 |
| Peterbilt 261984 | 140,139.16 |
| Semi Tractors - Other | 165,600.00 |
| Total Semi Tractors | 789,488.91 |
| Trailers | 169,875.00 |
| Vehicles | 99,383.60 |
| Accumulated Depreciation | -841,012.50 |
| Total Fixed Assets | 117,835.01 |
| Other Assets | |
| Note Receivable Moffit Caswell | 4,049.82 |
| Note Receivable Moffit Caswel 2 | 2,935.08 |
| Total Other Assets | 6,984.88 |
| TOTAL ASSETS | 145,529.16 |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Other Current Liabilities | |
| Payroll Liability | 390.61 |
| Current Portion of Long Term Li | 202,000.00 |
| Total Other Current Liabilities | 202,390.61 |
| Total Current Liabilities | 202,390.61 |
| Long Term Liabilities | |
| Denali N/P | 26,398.94 |
| TRUSTMARK NATION RECURRING 0750 | 58,724.18 |
| TRUSTMARK NATION RECURRING 0751 | 112,772.47 |
| TRUSTMARK NATION RECURRING 0752 | 120,134.86 |
| TRUSTMARK NATION RECURRING 8702 | 101,944.85 |
| TRUSTMARK NATION RECURRING 8703 | 101,952.78 |
| TRUSTMARK NATION RECURRING 8755 | 246,743.02 |
| Current Portion of LT Liability | -202,000.00 |
| Total Long Term Liabilities | 566,671.10 |
| Total Liabilities | 769,061.71 |
| Equity | |
| Contribution | 4,320.84 |
| Members Equity | -368,101.09 |
| Net Income | -239,752.30 |
| Total Equity | -623,532.55 |
| TOTAL LIABILITIES & EQUITY | 145,529.16 |

No assurance is provided on these financial statements

LEG Transport LLC
Statement of Revenues & Expenses - Income Tax Basis
For the three months and year ended December 31, 2015

| | <u>Oct - Dec 15</u> | <u>Jan - Dec 15</u> |
|--------------------------------|---------------------------|---------------------------|
| Ordinary Income/Expense | | |
| Income | | |
| Revenue/ Sales | <u>61,037.19</u> | <u>186,796.58</u> |
| Total Income | <u>61,037.19</u> | <u>186,796.58</u> |
| Expense | | |
| Bank Fees | 920.48 | 2,699.48 |
| Depreciation Expense | 248,183.00 | 388,983.00 |
| Interest Expense | 8,549.85 | 29,519.22 |
| License/ Permit Expense | -70.00 | 140.00 |
| Meals and Entertainment | 863.38 | 3,472.82 |
| Miscellaneous Expense | 325.00 | 325.00 |
| Professional Fees | <u>4,555.00</u> | <u>4,555.00</u> |
| Total Expense | <u>263,326.71</u> | <u>429,674.52</u> |
| Net Ordinary Income | <u>-202,289.52</u> | <u>-242,877.94</u> |
| Other Income/Expense | | |
| Other Income | | |
| Interest Income | <u>331.69</u> | <u>3,125.64</u> |
| Total Other Income | <u>331.69</u> | <u>3,125.64</u> |
| Net Other Income | <u>331.69</u> | <u>3,125.64</u> |
| Net Income | <u><u>-201,957.83</u></u> | <u><u>-239,752.30</u></u> |

No assurance is provided on these financial statements

ATTACHMENT C

**SUMMARY OF INCOME & EXPENSE
FOR SEWER CCN APPLICATION
FOR HOUSE HAHL COMMERCIAL SUBDIVISION
BY HOUSE HAHL COA, INC.**

PROJECTED INCOME & EXPENSE PROJECTIONS

| | FY 0 | FY 1 | FY 2 | FY 3 | DECEMBER 31 FY 4 | FY 5 | FY 6 | FY 7 | FY 8 |
|--|------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|
| AVERAGE NUMBER OF CUSTOMERS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL ANNUAL WATER USE, 1000 GAL | 0 | 1,985,900 | 2,560,250 | 2,560,250 | 2,560,250 | 2,560,250 | 2,560,250 | 2,560,250 | 2,560,250 |
| WATER/SEWER USE INCOME (ADJUSTED) | \$0 | \$67,228 | \$87,424 | \$87,424 | \$87,424 | \$87,424 | \$87,424 | \$87,424 | \$87,424 |
| TAP FEE INCOME | \$0 | \$13,500 | \$500 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL ANNUAL INCOME | \$0 | \$80,728 | \$87,924 | \$87,424 | \$87,424 | \$87,424 | \$87,424 | \$87,424 | \$87,424 |
| EXPENSE | | | | | | | | | |
| GENERAL & ADMINISTRATIVE | | | | | | | | | |
| OFFICE EXPENSE | \$0 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 |
| EMPLOYEE SALARIES | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| PROFESSIONAL FEES | \$0 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 |
| INSURANCE | \$0 | \$2,949 | \$2,949 | \$2,949 | \$2,949 | \$2,949 | \$2,949 | \$2,949 | \$2,949 |
| ADVALOREM TAXES | \$0 | \$2,949 | \$2,949 | \$2,949 | \$2,949 | \$2,949 | \$2,949 | \$2,949 | \$2,949 |
| TCEQ PERMIT FEES | \$0 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 | \$300 |
| TOTAL G&A | \$0 | \$8,598 | \$8,598 | \$8,598 | \$8,598 | \$8,598 | \$8,598 | \$8,598 | \$8,598 |
| OPERATIONS | | | | | | | | | |
| OPERATOR COST | \$0 | \$15,684 | \$15,684 | \$15,684 | \$15,684 | \$15,684 | \$15,684 | \$15,684 | \$15,684 |
| VEHICLE & EQUIPMENT COST | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| CUSTOMER BILLING COST | \$0 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 |
| ELECTRICITY | \$0 | \$5,400 | \$5,400 | \$5,400 | \$5,400 | \$5,400 | \$5,400 | \$5,400 | \$5,400 |
| CHEMICAL COST | \$0 | \$1,380 | \$1,380 | \$1,380 | \$1,380 | \$1,380 | \$1,380 | \$1,380 | \$1,380 |
| SLUDGE DISPOSAL COST | \$0 | \$7,944 | \$7,944 | \$7,944 | \$7,944 | \$7,944 | \$7,944 | \$7,944 | \$7,944 |
| TAP MAT'L & FIELD LABOR COST | \$0 | \$10,125 | \$375 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| REPAIR COSTS | \$0 | \$4,719 | \$4,719 | \$4,719 | \$4,719 | \$4,719 | \$4,719 | \$4,719 | \$4,719 |
| CONTRIBUTION TO RESERVE ACCT | \$0 | \$4,719 | \$4,719 | \$4,719 | \$4,719 | \$4,719 | \$4,719 | \$4,719 | \$4,719 |
| TOTAL OPERATING COST | \$0 | \$51,170 | \$41,420 | \$41,045 | \$41,045 | \$41,045 | \$41,045 | \$41,045 | \$41,045 |
| TOTAL MONTHLY EXPENSE | \$0 | \$59,768 | \$50,018 | \$49,643 | \$49,643 | \$49,643 | \$49,643 | \$49,643 | \$49,643 |
| INCOME (LOSS) BEFORE DEPRECIATION | \$0 | \$20,960 | \$37,906 | \$37,781 | \$37,781 | \$37,781 | \$37,781 | \$37,781 | \$37,781 |
| DEPRECIATION | \$0 | \$13,107 | \$13,107 | \$13,107 | \$13,107 | \$13,107 | \$13,107 | \$13,107 | \$13,107 |
| NET INCOME (LOSS) | \$0 | \$7,853 | \$24,799 | \$24,674 | \$24,674 | \$24,674 | \$24,674 | \$24,674 | \$24,674 |

PROJECTED BALANCE SHEET

| | FY 0 | FY 1 | FY 2 | FY 3 | FY 4 | FY 5 | FY 6 | FY 7 | FY 8 |
|---|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| ASSETS | | | | | | | | | |
| CASH (CHECKING) | \$10,000 | \$20,960 | \$58,866 | \$96,647 | \$134,428 | \$172,208 | \$209,989 | \$247,770 | \$285,551 |
| RESERVE ACCOUNT | \$0 | \$4,719 | \$9,437 | \$14,156 | \$18,874 | \$23,593 | \$28,311 | \$33,030 | \$37,748 |
| ACCOUNTS RECEIVABLE | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL CURRENT ASSETS | \$10,000 | \$25,678 | \$68,303 | \$110,802 | \$153,302 | \$195,801 | \$238,300 | \$280,800 | \$323,299 |
| PROPERTY AND EQUIPMENT | | | | | | | | | |
| WATER PLANT | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| WASTEWATER PLANT | \$0 | \$271,442 | \$271,442 | \$271,442 | \$271,442 | \$271,442 | \$271,442 | \$271,442 | \$271,442 |
| WATER DISTRIBUTION LINES | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| SEWAGE COLLECTION LINES | \$0 | \$121,769 | \$121,769 | \$121,769 | \$121,769 | \$121,769 | \$121,769 | \$121,769 | \$121,769 |
| TOTAL PROPERTY AND EQUIPMENT | \$0 | \$393,211 | \$393,211 | \$393,211 | \$393,211 | \$393,211 | \$393,211 | \$393,211 | \$393,211 |
| LESS ACCUMULATED DEPRECIATION | \$0 | \$13,107 | \$26,214 | \$39,321 | \$52,428 | \$65,535 | \$78,642 | \$91,749 | \$104,856 |
| TOTAL PROPERTY & EQUIPMENT, NET | \$0 | \$380,104 | \$366,997 | \$353,890 | \$340,783 | \$327,676 | \$314,569 | \$301,462 | \$288,355 |
| TOTAL ASSETS | \$10,000 | \$405,782 | \$435,300 | \$464,692 | \$494,085 | \$523,477 | \$552,869 | \$582,262 | \$611,654 |
| RETURN ON INVESTED CAPITAL ASSETS, % | | 2.07% | 6.78% | 6.97% | 7.24% | 7.53% | 7.84% | 8.18% | 8.58% |
| LIABILITIES AND CAPITAL | | | | | | | | | |
| LIABILITIES | | | | | | | | | |
| ACCOUNTS PAYABLE | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| SHORT TERM DEBT | \$10,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| ACCRUED RESERVES | \$0 | \$4,719 | \$9,437 | \$14,156 | \$18,874 | \$23,593 | \$28,311 | \$33,030 | \$37,748 |
| LONG TERM DEBT | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL LIABILITIES | \$10,000 | \$4,719 | \$9,437 | \$14,156 | \$18,874 | \$23,593 | \$28,311 | \$33,030 | \$37,748 |
| OWNER/STOCKHOLDER EQUITY | | | | | | | | | |
| COMMON STOCK | \$0 | \$393,211 | \$393,211 | \$393,211 | \$393,211 | \$393,211 | \$393,211 | \$393,211 | \$393,211 |
| RETAINED EARNINGS (CUMULATIVE) | \$0 | \$0 | \$7,853 | \$32,852 | \$57,326 | \$81,999 | \$106,673 | \$131,347 | \$156,021 |
| NET INCOME | \$0 | \$7,853 | \$24,799 | \$24,674 | \$24,674 | \$24,674 | \$24,674 | \$24,674 | \$24,674 |
| TOTAL CAPITAL | \$0 | \$401,064 | \$425,863 | \$450,837 | \$475,210 | \$499,884 | \$524,558 | \$549,232 | \$573,906 |
| TOTAL LIABILITIES + CAPITAL | \$10,000 | \$405,782 | \$435,300 | \$464,692 | \$494,085 | \$523,477 | \$552,869 | \$582,262 | \$611,654 |

ATTACHMENT D

PROMISSORY NOTE

\$606,000.00

JUNE 28, 2017

FOR VALUE RECEIVED, SOREN STRATEGIES LLC, a Texas limited liability company and LEG TRANSPORT LLC, a Texas limited liability company ("Debtor"), unconditionally promises to pay to the order of PLAINSCAPITAL BANK, a Texas state bank (together with its successors and assigns, "Lender"), without setoff, at its offices at 2925 Richmond Avenue, Suite 200, Houston (Harris County), Texas 77098, or at such other place as may be designated by Lender, the principal amount of SIX HUNDRED SIX THOUSAND AND NO/100 DOLLARS (\$606,000.00), or so much thereof as may be advanced from time to time in immediately available funds, together with interest computed daily on the outstanding principal balance hereunder, at an annual interest rate (the "Rate"), and in accordance with the payment schedule indicated below.

This PROMISSORY NOTE (this "Note") is executed pursuant to and evidences the Loan funded by Lender under, and secured in part by, that certain (a) LOAN AND SECURITY AGREEMENT dated as of even date herewith (the "Effective Date"), between Debtor, Guarantor and Lender (as amended, restated or otherwise modified from time to time, the "Loan Agreement") and (b) DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES, ASSIGNMENT OF RENTS, AND FINANCING STATEMENT dated as of the Effective Date, executed by Debtor for the benefit of Lender (as amended, restated or otherwise modified from time to time, the "Deed of Trust"), to which reference is made for a statement of the collateral, rights and obligations of Debtor and Lender in relation thereto, but neither this reference to the Loan Agreement, the Deed of Trust nor any provision thereof shall affect or impair the absolute and unconditional obligation of Debtor to pay unpaid principal of and interest on this Note when due. Capitalized terms not otherwise defined herein shall have the same meanings as in the Loan Agreement.

1. Rate. Prior to the Maturity Date or an Event of Default, the Rate shall be the LESSER of (a) the MAXIMUM RATE, or (b) the GREATER of (i) the PRIME RATE plus ONE PERCENT (1.0%), or (ii) FIVE PERCENT (5.0%) (the interest rate floor). From and after the Maturity Date, the Rate shall be the Maturity Rate. As used herein, the term "Prime Rate" shall mean, on any applicable date of determination, the U.S. Prime Rate of interest per annum as published on that date on the website of <http://online.wsj.com/public/us> as the current U.S. "Prime Rate". On days when <http://online.wsj.com/public/us> does not publish the current U.S. Prime Rate, the Prime Rate will be the most recently published U.S. Prime Rate on <http://online.wsj.com/public/us>. If such prime rate, as so quoted, is split between two or more different interest rates, then the Prime Rate shall be the highest of such interest rates. In the event <http://online.wsj.com/public/us> shall cease to exist or shall cease to publish a current U.S. Prime Rate, then the Prime Rate shall be (a) the rate of interest per annum established from time to time by Lender and designated as its base or prime rate, which may not necessarily be the lowest rate charged by Lender and is set by Lender in its sole discretion, or (b) if Lender does not publish or announce a base or prime rate, or does so infrequently or sporadically, then the Prime Rate shall be determined by reference to another base rate, prime rate, or similar lending rate index, generally accepted on a national basis, as selected by Lender in its sole and absolute discretion.

Notwithstanding any provision of this Note or any other agreement or commitment between Debtor and Lender, whether written or oral, express or implied, Lender shall never be entitled to charge, receive or collect, nor shall amounts received hereunder be credited so that Lender shall be paid, as interest a sum greater than interest at the Maximum Rate. It is the intention of the parties that this Note, and all instruments securing the payment of this Note or executed or delivered in connection therewith, shall comply with applicable law. If Lender ever contracts for, charges, receives or collects anything of value which is deemed to be interest under applicable law, and if the occurrence of any circumstance or contingency, whether acceleration of maturity of this Note, prepayment of this Note, delay in advancing proceeds of this Note or any other event, should cause such interest to exceed the Maximum Rate, any amount which exceeds interest at the Maximum Rate shall be applied to the reduction of the unpaid principal balance of this Note or any other Indebtedness, and if this Note and such other Indebtedness are paid in full, any remaining excess shall be paid to Debtor. In determining whether the interest exceeds interest at the Maximum Rate, the total amount of interest shall be spread, prorated and amortized throughout the entire term of

this Note until its payment in full. The term "Maximum Rate" as used in this Note means the maximum nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or Texas law permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby. If at any time the Rate shall exceed the Maximum Rate, the Rate shall be automatically limited to the Maximum Rate until the total amount of interest accrued hereunder equals the amount of interest which would have accrued if there had been no limitation to the Maximum Rate. To the extent, if any, that Chapter 303 of the Texas Finance Code, as amended (the "Act"), is relevant to Lender for purposes of determining the Maximum Rate, the parties elect to determine the Maximum Rate under the Act pursuant to the "weekly ceiling" from time to time in effect, as referred to and defined in §303.001-303.016 of the Act; subject, however, to any right Lender subsequently may have under applicable law to change the method of determining the Maximum Rate.

2. Accrual Method. Interest on the Indebtedness evidenced by this Note shall be computed on the basis of a THREE HUNDRED SIXTY (360) day year and shall accrue on the actual number of days elapsed for any whole or partial month in which interest is being calculated. In computing the number of days during which interest accrues, the day on which funds are initially advanced shall be included regardless of the time of day such advance is made, and the day on which funds are repaid shall be included unless repayment is credited prior to the close of business on the Business Day received as provided herein.

3. Rate Change Date. The Rate will change unless otherwise provided each time and as of the date that the Prime Rate changes.

4. Payment Schedule. Except as expressly provided herein to the contrary, all payments on this Note shall be applied in the following order of priority: (a) the payment or reimbursement of any expenses, costs or obligations (other than the outstanding principal balance hereof and interest hereon) for which either Debtor shall be obligated or Lender shall be entitled pursuant to the provisions of this Note or the other Loan Documents, (b) the payment of accrued but unpaid interest hereon, and (c) the payment of all or any portion of the principal balance hereof then outstanding hereunder, in the direct order of maturity. If an Event of Default exists, then Lender may, at the sole option of Lender, apply any such payments, at any time and from time to time, to any of the items specified in clauses (a), (b) or (c) above without regard to the order of priority otherwise specified herein and any application to the outstanding principal balance hereof may be made in either direct or inverse order of maturity. If any payment of principal or interest on this Note shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment.

The outstanding principal balance of this Note and accrued and unpaid interest thereon shall be due and payable as follows:

(a) TWELVE (12) consecutive monthly payments of accrued and unpaid interest commencing on JULY 30th, 2017 and continuing on the on the SAME day of each calendar month thereafter (or if no corresponding date shall exist in any calendar month, on the LAST day of such calendar month) through and including JUNE 30th, 2018; and

(b) Commencing on JULY 30th, 2018, and continuing on the on the SAME day of each calendar month thereafter (or if no corresponding date shall exist in any calendar month, on the LAST day of such calendar month) and on the Maturity Date, FORTY EIGHT (48) consecutive monthly payments of principal and interest in an amount sufficient to fully amortize the Loan over a period of TWO HUNDRED FORTY (240) months; and

(c) ONE (1) final payment of the outstanding principal balance of this Note, including all accrued and unpaid interest, on the EARLIEST of (i) the acceleration of the Indebtedness pursuant to the terms of the Loan Documents; or (ii) JUNE 30th, 2022 (the EARLIEST of such dates being the "Maturity Date").

When the Rate changes, Lender, at its sole option, may from time to time recalculate the periodic installment amount so that the remaining periodic installments will reflect the Rate then being charged under this

Note. DEBTOR AGREES TO PAY THE PERIODIC INSTALLMENTS AS THEY MAY BE RECALCULATED BY LENDER FROM TIME TO TIME AND ACKNOWLEDGES THAT A RECALCULATION SHALL NOT AFFECT THE MATURITY DATE OR THE OTHER TERMS AND PROVISIONS OF THIS NOTE.

Amounts repaid may not be re-borrowed. Lender shall incur no liability for its refusal to advance funds based upon its determination that any conditions of such further advances have not been met. Lender's records of the amounts borrowed and accrued and unpaid interest thereon from time to time shall be conclusive proof thereof absent manifest error.

5. Delinquency Charge. In the event any installment owing under this Note, or any part thereof, remains unpaid for TEN (10) or more days past the due date thereof as provided above, Debtor shall pay to Lender, in addition to any other amounts to which Lender may be entitled hereunder, a reasonable late payment fee equal to FIVE PERCENT (5.00%) of the amount of said installment, which amount is stipulated by Debtor to be reasonable in order to compensate Lender for its additional costs incurred as a result of having to attend to such delinquency. This late charge should be paid only once as to such amount as is due and owing, but promptly, as to each respective late payment. It is further agreed that the imposition of any such late payment fee shall in no way prejudice or limit Lender's rights or remedies against Debtor under this Note or any of the other Loan Documents. In the event any check or other payment item used to make a payment to Lender is dishonored for any reason, Debtor shall pay to Lender, in addition to any other amounts to which Lender may be entitled hereunder, a reasonable processing fee of THIRTY AND NO/100 DOLLARS (\$30.00) (or the maximum amount provided from time to time in Section 3.506(b) of the Texas Business and Commerce Code). This processing fee should be paid once with respect to each dishonor of a check or other payment item. It is further agreed that the imposition of any such processing fee shall in no way prejudice or limit Lender's rights or remedies against Debtor under this Note or any of the other Loan Documents.

6. Waivers, Consents and Covenants. DEBTOR, ANY INDORSER OR GUARANTOR HEREOF, OR ANY OTHER PARTY HERETO (INDIVIDUALLY AN "OBLIGOR" AND COLLECTIVELY "OBLIGORS") AND EACH OF THEM JOINTLY AND SEVERALLY: (A) WAIVES PRESENTMENT, DEMAND, PROTEST, NOTICE OF DEMAND, NOTICE OF INTENT TO ACCELERATE, NOTICE OF ACCELERATION OF MATURITY, NOTICE OF PROTEST, NOTICE OF NONPAYMENT, NOTICE OF DISHONOR, AND ANY OTHER NOTICE REQUIRED TO BE GIVEN UNDER THE LAW TO ANY OBLIGOR IN CONNECTION WITH THE DELIVERY, ACCEPTANCE, PERFORMANCE, DEFAULT OR ENFORCEMENT OF THIS NOTE, ANY INDORSEMENT OR GUARANTY OF THIS NOTE, OR ANY OTHER DOCUMENTS EXECUTED IN CONNECTION WITH THIS NOTE OR ANY OTHER LOAN DOCUMENTS NOW OR HEREAFTER EXECUTED IN CONNECTION WITH ANY OBLIGATION OF DEBTOR TO LENDER; (B) CONSENTS TO ALL DELAYS, EXTENSIONS, RENEWALS OR OTHER MODIFICATIONS OF THIS NOTE OR THE LOAN DOCUMENTS AS MAY BE AGREED IN WRITING BY DEBTOR AND LENDER, OR WAIVERS OF ANY TERM HEREOF OR OF THE LOAN DOCUMENTS, OR RELEASE OR DISCHARGE BY LENDER OF ANY OBLIGORS, OR RELEASE, SUBSTITUTION OR EXCHANGE OF ANY SECURITY FOR THE PAYMENT HEREOF, OR THE FAILURE TO ACT ON THE PART OF LENDER, OR ANY INDULGENCE SHOWN BY LENDER (WITHOUT NOTICE TO OR FURTHER ASSENT FROM ANY OBLIGORS); (C) AGREES THAT NO SUCH ACTION, FAILURE TO ACT OR FAILURE TO EXERCISE ANY RIGHT OR REMEDY BY LENDER SHALL IN ANY WAY AFFECT OR IMPAIR THE OBLIGATIONS OF ANY OBLIGORS OR BE CONSTRUED AS A WAIVER BY LENDER OF, OR OTHERWISE AFFECT, ANY OF LENDER'S RIGHTS UNDER THIS NOTE, UNDER ANY INDORSEMENT OR GUARANTY OF THIS NOTE OR UNDER ANY OF THE LOAN DOCUMENTS; AND (D) AGREES TO PAY, ON DEMAND, ALL COSTS AND EXPENSES OF COLLECTION OR DEFENSE OF THIS NOTE OR OF ANY INDORSEMENT OR GUARANTY HEREOF AND/OR THE ENFORCEMENT OR DEFENSE OF LENDER'S RIGHTS WITH RESPECT TO, OR THE ADMINISTRATION, SUPERVISION, PRESERVATION, OR PROTECTION OF, OR REALIZATION UPON, ANY PROPERTY SECURING PAYMENT HEREOF, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES, INCLUDING FEES RELATED TO ANY SUIT, MEDIATION OR ARBITRATION PROCEEDING, OUT OF COURT PAYMENT AGREEMENT, TRIAL, APPEAL,

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BANKRUPTCY PROCEEDINGS OR OTHER PROCEEDING, IN SUCH AMOUNT AS MAY BE DETERMINED REASONABLE BY ANY ARBITRATOR OR COURT, WHICHEVER IS APPLICABLE.

7. **Prepayments.** Prepayments may be made in whole or in part at any time without premium or penalty. All prepayments of principal shall be applied in the inverse order of maturity, or in such other order as Lender shall determine in its sole discretion.

8. **Remedies Upon Default.** Whenever there is an Event of Default the entire balance outstanding hereunder and all other obligations of any Obligor to Lender (however acquired or evidenced) shall, at the option of Lender, become immediately due and payable and any obligation of Lender to permit further borrowing under this Note shall immediately cease and terminate. From and after (a) an Event of Default, or (b) the Maturity Date (whether by acceleration or otherwise), the Rate on the unpaid principal balance of this Note shall be increased at Lender's discretion up to the LESSER of (i) EIGHTEEN PERCENT (18.00%), or (ii) the MAXIMUM RATE (the "Maturity Rate"). The provisions herein for a Maturity Rate (a) shall not be deemed to extend the time for any payment hereunder or to constitute a "grace period" giving Obligor a right to cure any default, and (b) shall be deemed the contract rate of interest applicable to the outstanding principal balance of the Note from and after the occurrence of one of the events set forth in this Section. At Lender's option, any accrued and unpaid interest, fees or charges may, for purposes of computing and accruing interest on a daily basis after the due date of this Note or any installment thereof, be deemed to be a part of the principal balance, and interest shall accrue on a daily compounded basis after such date at the Maturity Rate provided in this Note until the entire outstanding balance of principal and interest is paid in full. Upon an Event of Default, Lender is hereby authorized at any time, at its option and without notice or demand, to set off and charge against any deposit accounts of any Obligor (as well as any money, instruments, securities, documents, chattel paper, credits, claims, demands, income and any other property, rights and interests of any Obligor), which at any time shall come into the possession or custody or under the control of Lender or any of its agents, affiliates or correspondents, any and all obligations due hereunder. Additionally, Lender shall have all rights and remedies available under each of the Loan Documents, as well as all rights and remedies available at law or in equity.

9. **Waiver.** The failure at any time of Lender to exercise any of its options or any other rights hereunder shall not constitute a waiver thereof, nor shall it be a bar to the exercise of any of its options or rights at a later date. All rights and remedies of Lender shall be cumulative and may be pursued singly, successively or together, at the option of Lender. The acceptance by Lender of any partial payment shall not constitute a waiver of any default or of any of Lender's rights under this Note. No waiver of any of its rights hereunder, and no modification or amendment of this Note, shall be deemed to be made by Lender unless the same shall be in writing, duly signed on behalf of Lender; each such waiver shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Lender or the obligations of Obligor to Lender in any other respect at any other time.

10. **Applicable Law.** Debtor agrees that this Note shall be deemed to have been made in the State of Texas at Lender's address indicated at the beginning of this Note and shall be governed by, and construed in accordance with, the laws of the State of Texas and is performable in the City and County of Texas indicated at the beginning of this Note.

11. **Partial Invalidity.** The unenforceability or invalidity of any provision of this Note shall not affect the enforceability or validity of any other provision herein and the invalidity or unenforceability of any provision of this Note or of the Loan Documents to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

12. **Binding Effect.** This Note shall be binding upon and inure to the benefit of Obligor and Lender and their respective successors, assigns, heirs and personal representatives, provided, however, that no obligations of Obligor hereunder can be assigned without prior written consent of Lender.

13. **Controlling Document.** To the extent that this Note conflicts with or is in any way incompatible with any other document related specifically to the loan evidenced by this Note, this Note shall control over any other such document, and if this Note does not address an issue, then each other such document shall control to the extent that it deals most specifically with an issue.

14. Commercial Purpose. DEBTOR REPRESENTS TO LENDER THAT THE PROCEEDS OF THIS LOAN ARE TO BE USED PRIMARILY FOR BUSINESS, COMMERCIAL OR AGRICULTURAL PURPOSES AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES. DEBTOR ACKNOWLEDGES HAVING READ AND UNDERSTOOD, AND AGREES TO BE BOUND BY, ALL TERMS AND CONDITIONS OF THIS NOTE.

15. Collection. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceeding at law or in equity or in bankruptcy, receivership or other court proceedings, Debtor agrees to pay all costs of collection, including, but not limited to, court costs and reasonable attorneys' fees.

16. Time is of the Essence. Time is of the essence with respect to all provisions of this Note and the other Loan Documents.

17. Notice of Balloon Payment. At maturity (whether by acceleration or otherwise), Debtor must repay the entire principal balance of this Note and unpaid interest then due. Lender is under no obligation to refinance the outstanding principal balance of this Note (if any) at that time. Debtor will, therefore, be required to make payment out of other assets Debtor may own; or Debtor will have to find a lender willing to lend Debtor the money at prevailing market rates, which may be higher than the interest rate on the outstanding principal balance of this Note. If Obligors have guaranteed payment of this Note, Obligors may be required to perform under such guaranty.

18. Statement of Unpaid Balance. At any time and from time to time, Debtor will furnish promptly, upon the request of Lender, a written statement or affidavit, in form satisfactory to Lender, stating the unpaid balance of the Loan evidenced by this Note and that there are no offsets or defenses against full payment of the Loan evidenced by this Note and the terms hereof, or if there are any such offsets or defenses, specifying them.

19. Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH OBLIGOR AND LENDER HEREBY IRREVOCABLY AND EXPRESSLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY OR THE ACTIONS OF LENDER IN THE NEGOTIATION, ADMINISTRATION, OR ENFORCEMENT THEREOF. EACH OBLIGOR (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT DEBTOR HAS BEEN INDUCED TO EXECUTE THIS NOTE AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION.

NOTICE OF FINAL AGREEMENT

THIS NOTE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES, AND THE SAME MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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EXECUTED as of the Effective Date.

DEBTOR:
SOREN STRATEGIES LLC,
a Texas limited liability company

By: 
Name: Michael Keyser
Title: Managing Member

ADDRESS:
16518 House Hahl Road, Suite A
Cypress, Texas 77433

LEG TRANSPORT LLC,
a Texas limited liability company

By: 
Name: Lance Gunderson
Title: Managing Member

16518 House Hahl Road, Suite A
Cypress, Texas 77433

WASTEWATER FACILITIES LEASE AGREEMENT

This Wastewater Facilities Lease Agreement ("**Agreement**") is entered into this 1 day of January, 2017 (the "Effective Date") by and between House Hahl Commercial Owners Association, Inc., a Texas non-profit corporation (the "**COA**") and Soren Strategies, LLC, a Texas limited liability company ("**Soren**") and **LEG Transport, LLC**, a Texas limited liability company ("**LEG**") (Soren and LEG are each a "**Lessor**" and are together, the "**Lessors**"). The COA, Soren, and LEG are each, a "**Party**" and are collectively the "**Parties**".

RECITALS

- A. Soren and LEG each own an undivided 50% interest in certain wastewater collection and treatment facilities that benefit the COA and its members;
- B. The COA desires to lease Soren and LEG's wastewater facilities for the purposes of operating and maintaining the facilities to provide sewer service to the COA's members;
- C. The COA may desire to own and operate the facilities upon termination or expiration of this Agreement; and
- ~~D. The Parties desire to enter into this Agreement to clearly establish each of their responsibilities regarding the lease of the facilities.~~

NOW, THEREFORE, in consideration of the mutual covenants, benefits and agreements hereinafter set forth, and other good and valuable consideration, the adequacy and sufficiency of which is evidenced by the Parties' respective execution of this Agreement, the Parties agree as follows:

AGREEMENT

Each Lessor agrees to lease to the COA and the COA agrees to lease from each of the Lessors according to their interests, the wastewater collection and treatment facilities and equipment described in Exhibit A, attached to this Agreement, and all replacements, repairs, restorations, modifications, improvements, substitutions, increases, additions, and accessories incorporated in or affixed to the facilities and equipment (collectively, the "**Facilities**") in accordance with the terms and conditions of this Agreement. Exhibit A may be amended or replaced from time to time by mutual written agreement of the Parties.

1. **TERM.** The term of this Agreement will commence on the Effective Date and end twelve years from the Effective Date ("**Base Term**"). After the end of the Base Term, unless a Party terminates the lease by providing written notice to the other Parties, the lease will continue on a month-to-month basis. The Base Term plus any month-to-month lease term is the "**Lease Term**."

2. **RENT.**

a. Lease Payments. The COA agrees to pay Lessors or their assignees a monthly total lease payment in the amount of \$3,000.00 per month (the "*Lease Payment*") during the first year of the Lease Term. The Lease Payments will be payable without notice or demand at the offices of each Lessor (or any other place designated in writing by a Lessor or its assignees), with half of each Lease Payment going to each of the Lessors (for example, in the first year of the Agreement, a monthly payment of \$1,500.00 will go to each of the Lessors). Each year thereafter, the Lease Payment will increase by 10% of the then-current Lease Payment. The first Lease Payment will be due beginning one month after the Effective Date. Any payments received later than 30 days from the due date will bear interest at the Wall Street Journal prime rate plus 5% from the due date until the date of payment. In no event, however, will the interest rate exceed the maximum lawful rate allowed in the State of Texas.

b. Conditions Applicable to Lease Payments. The obligation of the COA to make the Lease Payments and perform all of its other obligations under this Agreement will be absolute and unconditional in all events and will not be subject to any setoff, defense, counterclaim, abatement, deduction, or recoupment for any reason, including without limitation, any malfunctions, breakdowns, or infirmities in the Facilities or any accident, condemnation, or unforeseen circumstances. Any late or missed payments, including accrued interest, will remain the COA's obligation and will survive the termination or expiration of the Agreement or the Lease Term.

3. **ACCEPTANCE.** The COA will accept the Facilities for operation and maintenance on the Effective Date.

4. **ASSIGNMENT OF WARRANTIES.** The COA will have any and all of Lessors' available rights under contracts evidencing the construction, installation, or purchase of the Facilities, so long as no Event of Default under this Agreement has occurred and is continuing. Each Lessor assigns to COA all warranties, if any, expressed or implied, applicable to the Facilities running from the manufacturer or contractor to such Lessor. Each Lessor authorizes the COA to obtain the customary services furnished in connection with any warranties at the COA's expense. The COA's sole remedy for the breach of any manufacturer's or contractor's warranty will be against the applicable manufacturer or builder of the Facilities and not against either Lessor or its respective assigns. Each Lessor will take all actions reasonably necessary to ensure any warranties are assigned to the COA.

5. **COA OPTION TO PURCHASE.** At the end of the Base Term, the COA will have an option to purchase each of the Lessors' right, title, and interest in the Facilities from the Lessors at fair market value at the time of purchase as determined by an independent appraiser ("*Purchase Price*"). If the COA exercises this option, each Lessor shall convey to the COA its entire undivided right, title, and interest to the Facilities by bill of sale or other form of conveyance mutually agreeable to the Parties, free of all liens, claims, or other encumbrances. Upon payment of the Purchase Price to Lessors by the COA, the lease established in this Agreement will terminate.

6. **REPRESENTATIONS, COVENANTS AND WARRANTIES.** The COA hereby represents, covenants, and warrants to Lessors as of the date hereof and at all times during the Lease Term that:

- a. the COA is incorporated and in good standing in the State of Texas;
- b. the COA has full power and authority under its Bylaws and the laws of the State of Texas to enter into this Agreement and to perform all of its obligations under the Agreement;
- c. the person executing this Agreement on behalf of the COA has been duly authorized to execute and deliver this Agreement;
- d. the Agreement constitutes a legal, valid, and binding obligation of the COA, enforceable against the COA in accordance with its terms;
- e. the execution, delivery and performance of this Agreement by the COA will not (i) violate any federal, State, or local law or ordinance, or any judgment, order, writ, injunction, decree, rule, or regulation of any court or other governmental agency or body having jurisdiction over the COA; or (ii) conflict with or result in the breach or violation of any term or provision of, or constitute a default under, or result in the creation of any lien, charge, security interest, or other encumbrance on any assets of the COA or the Facilities, except as provided in this Agreement;
- f. there are no circumstances presently affecting the COA that could reasonably be expected to alter its foreseeable need for the Facilities or adversely affect its ability or willingness to collect and budget funds for the Lease Payments;
- g. there is no action, suit, proceeding, inquiry, or investigation ("*Claim*"), either at law or in equity, before any court, public board, or body, pending or threatened against or affecting the COA, nor to the best knowledge of the COA is there any basis for any Claim that could result in an unfavorable decision, ruling, or finding, that would materially adversely affect the transactions contemplated by this Agreement; and
- h. no Event of Default (defined below) exists at the Effective Date and no event or condition exists at the Effective Date that, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

8. **USE, MAINTENANCE, AND REPAIRS.** The COA will use the Facilities in a careful manner for the use contemplated by the manufacturer or builder of the Facilities. The COA shall comply with all laws, ordinances, insurance policies, and regulations relating to the possession, use, operation, or maintenance of the Facilities and will adopt policies to safeguard the system against improper use by end users. The COA will have the express obligation to repair or replace the Facilities as necessary to keep the Facilities in good working order at its sole cost. Lessors will have no obligation to make any repairs to or replacements of the Facilities after

the Effective Date.

9. **ALTERATIONS.** The COA may, at its own expense, install, place in or on, or attach or affix to the Facilities any equipment or accessories that it deems necessary or convenient for the use of the Facilities for their intended purpose, as long as the additional equipment or accessories do not impair the value or utility of the Facilities. Any such attachments will become the property of the Lessors in the same undivided interest for each Lessor as such Lessor has in the Facilities at the time of attachment. The COA may not make any other alterations, additions, or improvements to the Facilities without the Lessors' prior written consent unless such alterations, additions or improvements can be readily removed without damage to the Facilities.

10. **USE AND LICENSES.** The COA shall pay and discharge all operating expenses and shall cause the Facilities to be operated by competent persons only. The COA shall not use the Facilities improperly, carelessly, or in violation of any applicable law, ordinance, rule or regulation of any governmental authority, or in a manner contrary to the nature of the Facilities or the use contemplated by the manufacturer or builder. Lessors and the COA agree to work together to have all Parties named as permittees on Lessors' Texas Pollutant Discharge Elimination System Permit for the Facilities. The COA shall obtain, at its sole expense, all other registrations, permits, and licenses, if any, required by law for the installation and operation of the Facilities. The COA may elect to charge rates to its member for the provision of sewer service through the Facilities. In such a case, the COA will first obtain the appropriate authorizations or approvals from the Public Utility Commission or its successor agencies to provide retail sewer service and establish retail sewer rates.

11. **LIENS AND TAXES.** The COA shall keep the Facilities free and clear of all levies, liens, and other encumbrances, except those created under this Agreement. The COA shall pay, when due, all applicable charges and taxes imposed upon the ownership, leasing, rental, possession, or use of the Facilities, excluding any tax on, or measured by, a Lessor's income. If the COA fails to pay applicable charges or taxes when due or to provide the insurance required by Section 14, a Lessor may, but is not required to, pay the charges or taxes or purchase the required insurance, and the COA shall reimburse the applicable Lessor on demand, with interest at the maximum rate permitted by law, from the date of the payment by the Lessor to the date of reimbursement by the COA. The Parties agree that their intent is for this Agreement to act as an operating lease and each Party agrees to treat the lease of the Facilities as such for tax purposes.

12. **RISK OF LOSS; DAMAGE; DESTRUCTION.** The COA assumes all risk of loss of or damage to the Facilities from any cause. No loss of, damage to, defect in, unfitness of, or obsolescence of the Facilities will relieve the COA of the obligation to make the Lease Payments or to perform any other obligation under this Agreement. If any item of the Facilities is damaged, the COA will immediately place the item in good repair with the proceeds of any insurance recovery applied to the cost of the repair. If Lessors determine that any portion of the Facilities is lost, stolen, destroyed, or damaged beyond repair, at the option of Lessors, the COA will replace the items with like equipment in good repair.

13. **INSURANCE.** At its own expense, the COA shall maintain (a) casualty insurance insuring the Facilities against loss or damage by fire and any other risks reasonably required by Lessors in an amount at least equal to the value of the Facilities, and (b) liability insurance that protects Lessors from liability in all events in form and amount reasonably satisfactory to Lessors. The Lessors will be named as an additional insured on all policies of COA relating to the Facilities and all insurance proceeds for casualty losses will be payable as provided below. Upon acceptance of the Facilities and upon each insurance renewal date, and at the request of Lessors, the COA shall deliver to Lessors a certificate of insurance evidencing the required coverage. If any loss, damage, injury, or accident (each a "*Loss*", and collectively "*Losses*") involving the Facilities occurs, the COA shall promptly provide Lessors with written notice and make available to Lessors all information and documentation relating to the Loss. The COA shall permit Lessors to participate and cooperate with the COA in making any claim for insurance related to a Loss.

All required casualty and liability insurance will be with insurers that are reasonably acceptable to Lessors. The COA may provide the required insurance coverage as part of "blanket" coverage maintained on its other assets. Required insurance coverage may also be provided in whole or in part by self-insurance, with the written consent of Lessors, which will not be unreasonably withheld or delayed. If consent is given, the COA will furnish Lessors with a letter or certificate of self-insurance specifying the type and extent of coverage. The proceeds of any required policies will be payable to the COA subject to the requirements of this Agreement.

14. **RELEASE AND INDEMNIFICATION.** To the extent permitted by law, the COA shall indemnify, protect, and hold harmless each Lessor from and against any and all liability, obligations, losses, claims and damages, including reasonable expenses, resulting from the gross negligence of the COA and arising out of or as the result of (i) the execution of this Agreement, (ii) the ownership of any portion of the Facilities, (iii) the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage, or return of any item of the Facilities, (iv) any accident in connection with the operation, use, condition, possession, storage, or return of any item of the Facilities resulting in damage to property or injury or death to any person, or (v) the breach of any covenant or any material misrepresentation made by the COA in this Agreement. The indemnification obligations arising under this paragraph will survive the termination or expiration of the Agreement for any reason.

15. **ASSIGNMENT.** Without Lessors' prior written consent, the COA may not assign, transfer, pledge, hypothecate, grant any security interest in, or otherwise dispose of this Agreement or the Facilities in whole or in part. Each Lessor may assign its rights, title, and interest in and to the Lease Documents or the Facilities and grant or assign a security interest in this Agreement and the Facilities, in whole or in part, without the prior written consent of the COA, and the COA's rights will be subordinated thereto. Any assignees of a Lessor will have all of the rights of that Lessor under this Agreement. Subject to the foregoing, this Agreement inures to the benefit of, and is binding upon, the successors and assigns of the Parties. Upon assignment of a Lessor's interests in this Agreement, such Lessor will cause written notice of the

assignment to be sent to the COA. The notice of assignment will be sufficient if it discloses the name of the assignee and the address to which payments should be made. No further action will be required by the Lessor or the COA to evidence the assignment, but the COA will acknowledge any assignment in writing if requested by the Lessor. The COA shall retain all notices of assignment and maintain a book-entry record that identifies each owner of Lessor's interest in the Agreement. Upon COA's receipt of written notice of a Lessor's assignment of all or any part of its interest in the Agreement, the COA agrees to attorn to and recognize the assignee as the owner of such Lessor's interest in this Agreement, and the COA shall make the payments indicated in the notice of assignment, including without limitation Lease Payments, to the assignee.

16. EVENT OF DEFAULT. The term "Event of Default" means the occurrence of any one or more of the following events: (i) the COA fails to make any Lease Payment (or any other payment) as it becomes due in accordance with the terms of this Agreement, and the failure continues for 10 days after the due date; (ii) the COA fails to perform or observe any other covenant, condition, or agreement to be performed or observed by it under this Agreement and the failure is not cured within 20 days after receiving written notice from Lessors; (iii) the COA makes any statement, representation, or warranty to Lessors in or under this Agreement, or in any writing delivered by the COA to Lessors in connection with this Agreement, that is false, misleading, or erroneous in any material respect; (iv) the COA becomes insolvent, is unable to pay its debts as they become due, makes an assignment for the benefit of creditors, applies for or consents to the appointment of a receiver, trustee, conservator, or liquidator to the COA or any of its assets, or files a petition for relief under any bankruptcy, insolvency, reorganization, or similar laws, or a petition in or proceeding under any bankruptcy, insolvency, reorganization, or similar laws is filed or instituted against the COA and is not dismissed or fully stayed within 20 days after the filing or institution; (v) COA fails to make any payment when due or fails to perform or observe any of its covenants, conditions, or agreements under any other agreement or obligation with Lessors or any of its affiliates, and any applicable grace period or notice has elapsed or been given; or (vi) an attachment, levy, or execution is threatened or levied upon or against the Facilities.

17. REMEDIES. If an Event of Default occurs, Lessors will have all remedies available to it under law and at equity, including the right of specific performance of this Agreement.

18. LESSORS' RIGHT TO PERFORM FOR COA. If the COA fails to make any payment or perform or comply with any of its covenants or obligations under this Agreement, Lessors may, but are not required to, make the payment or perform or comply with the covenant or obligation on behalf of the COA, and the COA shall reimburse Lessors upon demand for the payment and expenses (including without limitation, reasonable attorneys' fees) incurred by Lessors in performing or complying with the covenant or obligation, together with interest on the amount at the highest lawful rate.

19. NOTICES. All notices to be given under this Agreement must be made in writing and mailed by certified mail, return receipt requested, to the other party at its address set

forth below or at any other address designated by a party to the other party in writing from time to time. Any notice given as provided in this section will be deemed to have been received five days after mailing.

COA's Address:

House Hahl Commercial Owners Association, Inc.
Attn: President
16518 House Hahl
Cypress, Harris County, Texas 77433

Soren's Address:

Soren Strategies LLC
Attn: Michael Keyser
17523 West Bremonds Bend
Cypress, Texas 77433

LEG's Address:

LEG Transport, LLC
Attn: Lance Gunderson
16614 Coles Crossing Drive
Cypress, Texas 77429

20. **SECTION HEADINGS.** All section headings contained in this Agreement are for convenience of reference only and are not intended to define or limit the scope of any provision of this Agreement.

21. **GOVERNING LAW.** This Agreement will be governed by and construed in accordance with the laws of the State of Texas and is performable in Harris County, Texas.

22. **DELIVERY OF RELATED DOCUMENTS.** The COA will execute or provide any other document or information requested by Lessors that is reasonably necessary to carry out the obligations of this Agreement.

23. **ENTIRE AGREEMENT; WAIVER.** The Agreement constitutes the entire agreement between the Parties with respect to the lease of the Facilities. This Agreement may only be modified, amended, altered, or changed by the written agreement of both Parties. Any provision of this Agreement found to be prohibited by law will be ineffective to the extent of such prohibition without invalidating the remainder of the Agreement.

24. **MISCELLANEOUS.**

A. **Waivers.** Any waiver by a Lessor of any COA covenant or obligation under this Agreement must be in writing. Any written waiver by a Lessor of a COA covenant or obligation in a single instance will not constitute or be treated as a continuing waiver of the covenant or

obligation unless expressly provided in the written waiver.

B. Appointment of Agent or Trustee. Each Lessor will have the right at any time to designate or appoint any person to act as the Lessor's agent or trustee for any purpose under this Agreement by providing written notice to the COA.


C. Notification. The COA will immediately notify Lessors of any change occurring in or to the Facilities, any change in the COA's address, any change of fact or circumstance warranted or represented by the COA to Lessors under this Agreement, and the occurrence of any Event of Default.

D. Agreement Binding. Except as otherwise provided in this Agreement, this Agreement will be binding upon and inure to the benefit of the Parties and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

This Agreement is executed by the Parties as of the Effective Date.

COA:

House Hahl Commercial Property Owners Association, Inc.


Michael Keyser, President

LESSORS:

Soren Strategies LLC


Michael Keyser, Member

LEG Transport, LLC


Lance Gunderson, Member