



Control Number: 48532



Item Number: 19

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Alamo Title Company

1800 Bering Dr., Suite 150, Houston, TX 77057
Phone: (713)966-4040 | FAX: (713)966-4061

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BORROWER'S STATEMENT

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Settlement Date: March 13, 2019
Disbursement Date: March 13, 2019

Escrow Number: ATCH18078376
Escrow Officer: David Pilschmann

Borrower: Nerro Supply, LLC, a Texas limited liability company
11131 McCracken Circle, Suite A
Cypress, TX 77429

Seller: J&S Water Company, LLC, a Texas limited liability company
8010 Thompson Road
Highlands, TX 77562

Property: Tracts in Harris and Chambers Counties
TX

Lender: Allegiance Bank
2000 West Loop South, Suite 125
Houston, TX 77027

We hereby certify that this is a true and correct copy of the original instrument

ALAMO TITLE COMPANY
By: _____

		\$ DEBIT	\$ CREDIT
FINANCIAL CONSIDERATION			
Contract sales price		1,480,500.00	
Deposit or earnest money	Nerro Supply, LLC, a Texas limited liability company		14,805.00
Principal amount of new loan(s) RE: [\$1,200,000.00]	Allegiance Bank		
Initial Advance RE: Balance: [\$170,000.00]			1,030,000.00
PRORATIONS/ADJUSTMENTS			
All Taxes	01/01/19 - 03/14/19 (\$4,646.65 / 365 X 72 days)		916.60
NEW LOAN CHARGES - Allegiance Bank			
Total Loan Charges: \$13,948.64			
Loan origination fee	0.5000% Allegiance Bank	6,000.00	
Appraisal fee	Allegiance Bank fbo Edward Miller Appraisal Services	4,000.00	
Appraisal Review Fee	Allegiance Bank fbo Newman-Pennington & Assoc.	500.00	
Flood Search Fee	Allegiance Bank fbo Lereta LLC	180.00	
Tax Service Fee	Allegiance Bank fbo Lereta LLC	182.00	
Lender's Legal Fees	Chernosky, Smith, Ressler & Smith, PLLC	3,086.64	
TITLE & ESCROW CHARGES			
Loan policy premium	Alamo Title Company	100.00	
T-30 Amendment of Tax Exception (T-30, T-3 or deletion)	Alamo Title Company	20.00	
Not Yet Due and Payable Tax Amendment	Alamo Title Company	5.00	
T-3 Amendment of Survey Exception for T-1 (T-3 or Deletion)	Alamo Title Company	1,207.80	
T-19.1 Restrictions, Encroachments, Minerals Endorsement-Owner's Policy - 2014	Alamo Title Company	805.20	

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BORROWER'S STATEMENT - Continued

		\$ DEBIT	\$ CREDIT
TITLE & ESCROW CHARGES, CONTINUED			
T-23 Access Endorsement	Alamo Title Company	100.00	
T-19 Restrictions, Encroachments, Minerals	Alamo Title Company	677.30	
Endorsement (Commercial Mtg) - 2014			
T-23 Access Endorsement	Alamo Title Company	100.00	
T-33 Variable Rate Mortgage Endorsement	Alamo Title Company	20.00	
Escrow Fee	Alamo Title Company	350.00	
Policies to be issued:			
Loan Policy			
Coverage: \$1,200,000.00	Premium: \$100.00	Version: Loan Policy of Title Insurance	
		(T-2) - 2014	
GOVERNMENT CHARGES			
Recording fees	Alamo Title Company	14.00	
RE: Deed-Harris			
eFile Fees	Alamo Title Company	22.40	
Recording fees	Alamo Title Company	19.00	
RE: Deed-Chambers			
Recording fees	Alamo Title Company	120.00	
RE: Deed of Trust-Harris			
Recording fees	Alamo Title Company	136.00	
RE: Deed of Trust-Chambers			
Recording fees	Alamo Title Company	40.00	
RE: Assignment of Leases-Harris			
Recording fees	Alamo Title Company	56.00	
RE: Assignment of Leases-Chambers			
Recording fees	Secretary of State	30.00	
RE: UCC-State			
Recording fees	Alamo Title Company	24.00	
RE: UCC-Harris			
Recording fees	Alamo Title Company	40.00	
RE: UCC-Chambers			
MISCELLANEOUS CHARGES			
Attorney Fees	Andrews Myers	15,322.50	
<hr/>			
Subtotals		1,513,657.84	1,045,721.60
Balance Due FROM Borrower			467,936.24
<hr/>			
TOTALS		1,513,657.84	1,513,657.84
<hr/>			

SIGNATURE PAGE TO BE ATTACHED TO THE FOLLOWING DOCUMENT:

Buyer/Borrower Statement

APPROVED AND ACCEPTED

The Borrower's signatures hereon acknowledge their approval and signify their understanding that tax and insurance proration and reserves are based on figures for the preceding year or supplied by others or estimated for the current year, and in the event of any change for the current year, all necessary adjustments will be made between Borrower and Seller directly. Any deficit in delinquent taxes or mortgage payoffs will be promptly reimbursed to the Settlement Agent by the Seller. In the event a Real Estate Agent negotiated the transaction such Agent may be furnished a copy of this statement.

I have carefully reviewed the Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the Settlement Statement.

BORROWER(S):

Nerro Supply, LLC, a Texas limited liability company

By: 
Name: Gregory Pappas
Title: Managing Member

To the best of my knowledge, the Settlement Statement which I have prepared is a true and accurate account of the funds which were received and have been or will be disbursed by the undersigned as part of the settlement of this transaction.


Alamo Title Company
Settlement Agent

We hereby certify that this is a true and correct copy of the original instrument

ALAMO TITLE COMPANY

By: _____

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED

THE STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HARRIS §

J&S Water Company, LLC, a Texas limited liability company ("Grantor"), in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) and other good and valuable consideration in hand paid by Nerro Supply, LLC, a Texas limited liability company ("Grantee"), the receipt and sufficiency of which are hereby acknowledged, hereby GRANTS, BARGAINS, SELLS and CONVEYS unto Grantee the real property located in Harris County, Texas, which is more particularly described on Exhibit "A" attached hereto and made a part hereof, together with all and singular, all of Grantor's right, title and interest in and to any and all rights, benefits, privileges, easements, tenements, and appurtenances thereon, and together with all of Grantor's right, title and interests in and to the structures, fixtures and improvements, located thereunder and thereon (collectively called the "**Property**"), subject to, however, those matters set forth in Exhibit "B" attached hereto and made a part hereof to the extent valid, in existence and affecting the Property (said exceptions being called the "**Permitted Exceptions**").

GRANTOR assumes responsibility for the payment of taxes for the year 2019 and from the payment of all taxes for prior years.

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging unto Grantee, its successors, legal representatives and assigns forever. Grantor does hereby bind itself, and its legal representatives and successors to WARRANT AND FOREVER DEFEND all and singular the Property unto Grantee, its successors, legal representatives and assigns, against every person whomever lawfully claiming or to claim the same or any part thereof, by or under Grantor, but not otherwise, and subject to the Permitted Exceptions.

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IN WITNESS WHEREOF, Grantor has executed this deed to be effective as of the 13th
day of March, 2019.

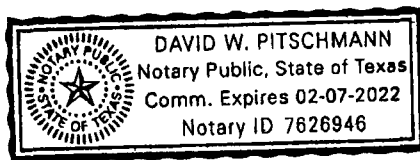
GRANTOR:

J&S Water Company, LLC,
a Texas limited liability company

By: *Jerry Nowling*
Jerry Nowling, Owner/Managing Member

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on March 12, 2019, by Jerry Nowling,
Owner/Managing Member of J&S Water Company, LLC, a Texas limited liability company, on
behalf of said company.



[Signature]

Notary Public in and for
the State of Texas

Printed Name of Notary _____
My commission expires: _____

After Recording, Return To:

Andrews Myers, P.C.
1885 Saint James Place, 15th Floor
Houston, Texas 77056
Attn: Patrick Hayes

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

TRACT 1:

BEING A 0.300 ACRE TRACT OR PARCEL OF LAND SITUATED IN THE WILLIAM COOPER SURVEY, ABSTRACT NO. 213, HARRIS COUNTY, TEXAS, AND BEING A PORTION OF A CALLED 160 ACRE TRACT AS DESCRIBED IN DEED RECORDED IN VOLUME 1916 PAGE 345 OF THE DEED RECORDS OF HARRIS COUNTY, TEXAS, SAID 0.300 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT A POINT FOR CORNER FOR THE SOUTHWEST CORNER OF THE SAID CALLED 160 ACRE TRACT, ON THE NORTH LINE OF ZAKA ROAD, 50' WIDE; THENCE EAST ALONG THE NORTH LINE OF ZAKA ROAD, A CALLED DISTANCE OF 1693.27 FEET, TO A POINT FOR CORNER; THENCE NORTH, A CALLED DISTANCE OF 314.00 FEET, TO A POINT FOR CORNER;

THENCE EAST, A CALLED DISTANCE OF 410.22 FEET, TO A POINT FOR CORNER; THENCE NORTH, A CALLED DISTANCE OF 346.32 FEET, TO A POINT FOR CORNER FOR THE SOUTHEAST CORNER AND POINT OF BEGINNING OF THE HEREIN DESCRIBED TRACT;

THENCE N 89°23'23" W, CALLED WEST, PASSING AT 98.61 FEET A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET ON THE EAST LINE OF A 26 FEET WIDE ROAD EASEMENT FOR RUSTLING MAPLE DRIVE, AND CONTINUING FOR A TOTAL DISTANCE OF 123.61 FEET, CALLED 125.08 FEET, TO A PK NAIL SET IN ASPHALT FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE NORTH, ALONG THE CENTERLINE OF RUSTLING MAPLE DRIVE EASEMENT, A DISTANCE OF 105.66 FEET TO A PK NAIL FOUND FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT; THENCE S 89°23'23" E, CALLED EAST, PASSING AT 25.00 FEET, A FOUND 5/8" IRON ROD ON THE EAST LINE OF SAID RUSTLING MAPLE DRIVE EASEMENT, FROM WHICH A FOUND 5/8" IRON ROD BEARS NORTH A DISTANCE OF 105.66 FEET, AND CONTINUING FOR A TOTAL DISTANCE OF 123.61 FEET, CALLED 125.08 FEET, TO A POINT FOR CORNER FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED TRACT, FROM WHICH A FOUND 1" IRON PIPE BEARS NORTH A DISTANCE OF 105.66 FEET;

THENCE SOUTH, A DISTANCE OF 105.66 FEET, TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 0.300 ACRE OF LAND.

TRACT 2:

BEING A 0.138 ACRE TRACT SITUATED IN THE WILLIAM COOPER SURVEY, ABSTRACT NO. 213, HARRIS COUNTY, TEXAS, AND BEING A PORTION OF A CALLED 160 ACRE TRACT AS DESCRIBED IN DEED RECORDED IN VOLUME 1916 PAGE 345 OF THE DEED RECORDS OF HARRIS COUNTY, TEXAS, SAID 0.138 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET FOR THE INTERSECTION OF THE EAST LINE OF SUGAR MAPLE DRIVE, 50' WIDE, AND THE NORTH LINE OF ZAKA ROAD, 50' WIDE, FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT, FROM WHICH THE SOUTHWEST CORNER OF THE SAID CALLED 160 ACRE TRACT BEARS A CALLED BEARING AND DISTANCE OF WEST 1433.27 FEET;

THENCE NORTH, ALONG THE EAST LINE OF SUGAR MAPLE DRIVE, A DISTANCE OF 100.00 FEET, TO A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT; THENCE EAST, A DISTANCE OF 60.00 FEET, TO A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE SOUTH, A DISTANCE OF 100.00 FEET, TO POINT FOR CORNER UNDER A JUNK CAR, ON THE NORTH LINE OF ZAKA ROAD, FOR THE SOUTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE WEST, ALONG THE NORTH LINE OF ZAKA ROAD, A DISTANCE OF 60.00 FEET, TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 0.138 ACRE OF LAND.

TRACT 3:

BEING A 0.041 ACRE TRACT SITUATED IN THE WILLIAM COOPER SURVEY, ABSTRACT NO. 213, HARRIS COUNTY, TEXAS, AND BEING CALLED THE NORTH 40.98 FEET OF THE WEST 43 FEET OF OAKLAND VILLAGE, AN UNRECORDED SUBDIVISION IN SAID SURVEY, SAID 0.041 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1/2" IRON ROD FOUND ON THE SOUTH LINE OF ZAKA ROAD, 50' WIDE, FOR THE NORTHWEST CORNER OF SAID OAKLAND VILLAGE, FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE EAST, CALLED N 89°59'00" E, ALONG THE SOUTH LINE ZAKA ROAD, A DISTANCE OF 43.00 FEET, TO A 1/2" IRON ROD FOUND FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE S 00°09'14" E, CALLED S 00°00'49" E, A DISTANCE OF 40.96 FEET, CALLED 40.98 FEET, TO A 1/2" IRON ROD FOUND FOR THE SOUTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE WEST, CALLED N 89°59'59" W, A DISTANCE OF 43.00 FEET, TO A 1/2" IRON ROD FOUND FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE N 00°03'24" E, CALLED N 00°00'49" E, A DISTANCE OF 41.22 FEET, CALLED 40.98 FEET, TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 0.041 ACRE OF LAND.

EXHIBIT "B"

PERMITTED EXCEPTIONS

1. The following restrictive covenants of record itemized below: Those recorded under Harris County Clerk's File No. G457466, amended under Harris County Clerk's File No. G862161 (as to Tracts 1 and 2), and under Harris County Clerk's File No. F608612 (as to Tract 3).
2. Pipeline Right-of-Way Easement, as granted to Gulf Pipe Line Company and Gulf Production Company recorded in Volume 837, Page 659, of the Deed records of Harris County, Texas. (As to Tracts 1 & 2)
3. Easement for electrical distribution lines, granted to Houston Lighting & Power Company by instrument recorded under Harris County Clerk's File No. G653438. (As to Tract 1)
4. Road Easement for Rustling Maple Drive 25 feet wide along the West Property line as referred to in metes and bounds description for subject property and as reflected by the unrecorded plat. (As to Tract 1)
5. Public Utility Easement 10' wide along the rear and 5' wide along all other property lines, recorded under Harris County Clerk's File No. G457466. (As to Tracts 1 & 2)
6. Easement and Right-of-Way granted to Faust Properties recorded September 11, 1980 under Harris County Clerk's File No. G672992. (As to Tract 2)
7. Sanitary Control Easement granted to C & P Utilities, Inc. recorded October 5, 1998 under Harris County Clerk's File No. T307672. (As to Tract 2)
8. Terms, Conditions, provisions, easements, restrictions, reservations and other matters as set forth in Oakland Village Restrictions and Maintenance Charge Recorded under Harris County Clerk's File No. F608612. (As to Tract 3)
9. Sanitary Control Easement granted to C & P Utilities, Inc. recorded October 5, 1998 under Harris County Clerk's File No. T307666. (As to Tract 3)
10. Matters as disclosed by the examination of survey prepared by James R. McClellan, RPLS No. 4980, dated 4/17/2006: (as to TRACT 1)
 - a. Encroachment or protrusion of fence along the Northerly property line.
 - b. Encroachment of chain link fence onto or over the 5 foot utility easement along the Northerly and Southerly property lines.
 - c. Encroachment of chain link fence onto or over the 10 foot HL&P utility easement along the Easterly (Rear) property line.
 - d. Encroachment of lift station onto or over the 10' foot aerial easement
11. Matters as disclosed by the examination of survey prepared by James R. McClellan, RPLS No.4980, dated 4/17/2006: (as to TRACT 2)

- a. Encroachment or protrusion of fence along the Northerly and Easterly property line(s).
 - b. Encroachment of chain link fence onto or over the 5 foot utility easement along the Northerly property line.
 - c. Encroachment of chain link fence onto or over the 10 foot utility easement along the Easterly property line.
 - d. Encroachment of tanks (2) onto or over the 5 and 10 foot utility easements along the Northerly and Easterly property lines, respectively.
12. Matters as disclosed by the examination of survey prepared by James R. McClellan, RPLS No. 4980, dated 4/17/2006: (as to TRACT 3)
- a. Encroachment or protrusion of fence along the Northerly, Southerly, Easterly and Westerly property line(s).
 - b. Unidentified storage tank located within the 50' radius Sanitary Control Easements.

We hereby certify that this is a true and correct copy of the original instrument

ALAMO TITLE COMPANY

By: 

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED

THE STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF CHAMBERS §

J&S Water Company, LLC, a Texas limited liability company ("Grantor"), in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) and other good and valuable consideration in hand paid by Nerro Supply, LLC, a Texas limited liability company ("Grantee"), the receipt and sufficiency of which are hereby acknowledged, hereby GRANTS, BARGAINS, SELLS and CONVEYS unto Grantee the real property located in Chambers County, Texas, which is more particularly described on Exhibit "A" attached hereto and made a part hereof, together with all and singular, all of Grantor's right, title and interest in and to any and all rights, benefits, privileges, easements, tenements, and appurtenances thereon, and together with all of Grantor's right, title and interests in and to the structures, fixtures and improvements, located thereunder and thereon (collectively called the "**Property**"), subject to, however, those matters set forth in Exhibit "B" attached hereto and made a part hereof to the extent valid, in existence and affecting the Property (said exceptions being called the "**Permitted Exceptions**").

GRANTOR assumes responsibility for the payment of taxes for the year 2019 and from the payment of all taxes for prior years.

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging unto Grantee, its successors, legal representatives and assigns forever. Grantor does hereby bind itself, and its legal representatives and successors to WARRANT AND FOREVER DEFEND all and singular the Property unto Grantee, its successors, legal representatives and assigns, against every person whomever lawfully claiming or to claim the same or any part thereof, by or under Grantor, but not otherwise, and subject to the Permitted Exceptions.

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IN WITNESS WEHREOF, Grantor has executed this deed to be effective as of the 13th
day of March, 2019.

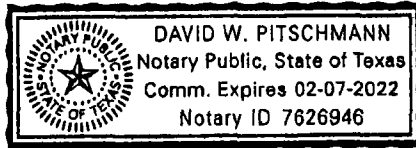
GRANTOR:

J&S Water Company, LLC,
a Texas limited liability company

By: Jerry Nowling
Jerry Nowling, Owner/Managing Member

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on March 12, 2019, by Jerry Nowling,
Owner/Managing Member of J&S Water Company, LLC, a Texas limited liability company, on
behalf of said company.



[Signature]

Notary Public in and for
the State of Texas

Printed Name of Notary
My commission expires: _____

After Recording, Return To:

Andrews Myers, P.C.
1885 Saint James Place, 15th Floor
Houston, Texas 77056
Attn: Patrick Hayes

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

TRACT 4:

SEWER TREATMENT PLANT: BEING 0.5355 OF AN ACRE OF LAND, MORE OR LESS, SITUATED IN THE ROBERT WISEMAN SURVEY, ABSTRACT NO. 29, CHAMBERS COUNTY, TEXAS, AND BEING OUT OF AND A PART OF A 117.537 ACRE TRACT OF LAND CALLED TRACT NO. 1 IN A DEED FROM GORDON W. SPEER, TRUSTEE TO WALLACE GRAY AND EDDIE V. GRAY DATED JUNE 30, 1976 AND RECORDED IN VOLUME 384 AT PAGE 581 OF THE DEED RECORDS OF CHAMBERS COUNTY, TEXAS, AND BEING OUT OF AND A PART OF A SO-CALLED 70.251 ACRE TRACT OF LAND CONVEYED TO EDDIE V. GRAY, TRUSTEE BY WILLIAM H. CRAIG BY DEED RECORDED IN VOLUME 366 AT PAGE 363 OF THE DEED RECORDS OF CHAMBERS COUNTY, TEXAS, SAID 0.5355 OF AN ACRE OF LAND, MORE OF LESS, BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS, TO-WIT:

BEGINNING AT AN IRON ROD FOUND FOR CORNER OF THIS TRACT OF LAND AT THE INTERSECTION OF THE WEST LINE OF SAID 117.537 ACRE TRACT AND THE EAST LINE OF SAID 70.251 ACRE TRACT OF LAND WITH THE SOUTH LINE OF WOODLAND LANE, A COUNTY ROAD AND FROM THIS POINT, A UNITED STATES CORPS OF ENGINEERS BRASS DISC FOUND FOR A CORNER OF SAID 70.21 ACRE TRACT OF LAND IN THE SOUTH LINE OF WOODLAND LANE BEARS SOUTH 84° 14' 05" WEST 175.41 FEET;

THENCE NORTH 84° 17' 58" EAST WITH THE NORTH LINE OF THIS TRACT AND THE SOUTH LINE OF SAID LANE, A DISTANCE OF 40.65 FEET TO A 1/2 INCH IRON ROD SET FOR THE EAST CORNER OF THIS TRACT OF LAND

ON THE WEST BANK OF A DRAIN DITCH;

THENCE WITH THE SOUTHEAST LINE OF THIS TRACT AND THE WEST BANK OF SAID DRAIN DITCH THE FOLLOWING COURSES:

SOUTH 42° 06' 38" WEST 58.77 FEET; SOUTH 14° 12' 06" WEST 160.14 FEET; SOUTH 30° 23' 31" WEST 48.30 FEET TO A 1/2 INCH IRON ROD SET FOR THE SOUTH CORNER OF THIS TRACT OF LAND IN THE SOUTHWEST LINE OF SAID 117.537 ACRE TRACT OF LAND AND THE NORTHEAST LINE OF THE UNITED STATES TRACT OF LAND;

THENCE NORTH 27° 04' 00" WEST WITH THE SOUTHWEST LINE OF THIS TRACT AND THE SOUTHWEST LINE OF SAID 117.537 ACRE TRACT, AT 69.21 FEET FOUND A 5/8 INCH IRON ROD IN LINE FOR THE SOUTHWEST CORNER OF SAID 117.537 ACRE TRACT AND THE SOUTHWEST CORNER OF SAID 70.251 ACRE TRACT OF LAND, CONTINUING ON WITH THE SOUTHWEST LINE OF THIS TRACT AND THE SOUTHWEST LINE OF SAID 70.251 ACRE TRACT, A TOTAL DISTANCE OF 245.77 FEET TO A UNITED STATES CORPS OF ENGINEERS BRASS DISC FOR THE WEST CORNER OF THIS TRACT OF LAND AND A CORNER OF SAID 70.251 ACRE TRACT IN THE SOUTH RIGHT OF WAY LINE OF SAID LANE;

THENCE NORTH 84° 14' 05" EAST WITH THE NORTH LINE OF THIS TRACT AND THE SOUTH RIGHT OF WAY LINE OF SAID LANE, A DISTANCE OF 175.41 FEET TO THE PLACE OF BEGINNING, CONTAINING WITHIN SAID BOUNDARIES 0.5355 OF AN ACRE OF LAND, MORE OR LESS.

TRACT 5:

WATER TREATMENT PLANT: BEING 0.0580 OF AN ACRE OF LAND, MORE OR LESS, SITUATED IN THE ROBERT WISEMAN SURVEY, ABSTRACT NO. 29, CHAMBERS COUNTY, TEXAS, AND BEING OUT OF AND A PART OF A 117.537 ACRE TRACT OF LAND CALLED TRACT NO. 1 IN A DEED FROM GORDON W. SPEER, TRUSTEE TO WALLACE GRAY AND EDDIE V. GRAY DATED JUNE 30, 1976 AND RECORDED IN VOLUME 384 AT PAGE 581 OF THE DEED RECORDS OF CHAMBERS COUNTY, TEXAS. THIS 0.0680 OF AN ACRE, MORE OR LESS, ENCOMPASSES THE EXISTING WATER TREATMENT PLANT FOR WOODLAND ACRES SUBDIVISION AND IS MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS, TO-WIT:

COMMENCING AT AN IRON ROD FOUND AT THE INTERSECTION OF THE WEST LINE OF SAID 117.537 ACRE TRACT WITH THE SOUTH RIGHT OF WAY LINE OF WOODLAND LANE;

THENCE NORTH 84° 17' 68" EAST WITH THE SOUTH RIGHT OF WAY LINE OF SAID LANE, A DISTANCE OF 447.19 FEET TO A PI IN THE SOUTH RIGHT OF WAY LINE OF SAID LANE;

THENCE NORTH 84° 51' 11" EAST WITH THE SOUTH RIGHT OF WAY LINE OF SAID LANE, A DISTANCE OF 74.05 FEET TO A POINT;

THENCE SOUTH 05° 08' 49" EAST A DISTANCE OF 27.59 FEET TO A 1/2 INCH IRON ROD SET FOR THE NORTHEAST CORNER OF THIS TRACT OF LAND AND THE PLACE OF BEGINNING;

THENCE SOUTH 05° 08' 49" EAST WITH THE EAST LINE OF THIS TRACT, A DISTANCE OF 54.30 FEET TO A 1/2 INCH IRON ROD SET FOR THE SOUTHEAST CORNER OF THIS TRACT OF LAND;

THENCE NORTH 79° 23' 40" WEST WITH THE SOUTH LINE OF THIS TRACT, A DISTANCE OF 62.53 FEET TO A 1/2 INCH IRON ROD SET FOR THE SOUTHWEST CORNER OF THIS TRACT OF LAND;

THENCE NORTH 04° 32' 51" WEST WITH THE WEST LINE OF THIS TRACT, A DISTANCE OF 28.83 FEET TO A 1/2 INCH IRON ROD SET FOR THE MOST WESTERN NORTHWEST CORNER OF THIS TRACT OF LAND, 1 FOOT

SOUTH OF AN EXISTING OFFICE BUILDING;

THENCE NORTH 85° 01' 22" EAST WITH THE NORTH LINE OF THIS TRACT AND 1 FOOT SOUTH OF AN EXISTING OFFICE BUILDING, A DISTANCE OF 25.10 FEET TO A 1/2 INCH IRON ROD SET FOR A CORNER OF THIS TRACT OF LAND;

THENCE NORTH 04° 32' 51" WEST WITH THE WEST LINE OF THIS TRACT AND 1 FOOT EAST OF AN EXISTING BUILDING, A DISTANCE OF 13.07 FEET TO A 1/2 INCH IRON ROD SET FOR THE MOST NORTHERN NORTHWEST CORNER OF THIS TRACT OF LAND;

THENCE NORTH 88° 59' 07" EAST WITH THE NORTH LINE OF THIS TRACT OF LAND AND A CHAIN LINK FENCE, A DISTANCE OF 34.75 FEET TO THE PLACE OF BEGINNING, CONTAINING WITHIN SAID BOUNDARIES 0.580 OF AN ACRE OF LAND, MORE OR LESS.

TRACT 8:

WATER WELL SITE: BEING 0.1350 OF AN ACRE OF LAND, MORE OR LESS, SITUATED IN THE ROBERT WISEMAN SURVEY, ABSTRACT NO. 29, CHAMBERS COUNTY, TEXAS, AND BEING OUT OF AND A PART OF WOODLAND ACRES SECTION NO. 11, AS SHOWN ON THE OFFICIAL REPLAT OF SAME RECORDED IN VOLUME "B" AT PAGE 64 OF THE PLAT RECORDS OF CHAMBERS COUNTY, TEXAS. THIS 0.1350 OF AN ACRE OF LAND, MORE OR LESS, IS MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS, TO-WIT:

BEGINNING AT A 1/2 INCH IRON ROD FOUND FOR THE SOUTHWEST CORNER OF THIS TRACT OF LAND AND THE NORTHWEST CORNER OF LOT NO. 128 OF SAID SECTION 11 AND IN THE EAST LINE OF SHADY LANE, A 70 FOOT STREET;

THENCE NORTH 32° 31' 04" WEST WITH THE WEST LINE OF THIS TRACT AND THE EAST LINE OF SHADY LANE, A DISTANCE OF 86.72 FEET TO A 1/2 INCH IRON ROD FOUND FOR THE NORTHWEST CORNER OF THIS TRACT AND THE SOUTHWEST CORNER OF LOT NO. 129 OF SAID SECTION II;

THENCE NORTH 77° 17' 01" EAST WITH THE NORTH LINE OF THIS TRACT AND THE SOUTH LINE OF LOT NO. 129, A DISTANCE OF 91.16 FEET TO A 1/2 INCH IRON ROD FOUND FOR THE NORTHEAST CORNER OF THIS TRACT AND THE SOUTHEAST CORNER OF LOT NO. 129 AND IN THE WEST LINE OF LOT NO. 130;

THENCE SOUTH 12° 42' 59" EAST WITH THE EAST LINE OF THIS TRACT AND THE WEST LINE OF LOT NO. 130, A DISTANCE OF 70.00 FEET TO A 1/2 INCH IRON ROD FOR THE SOUTHEAST CORNER OF THIS TRACT AND THE SOUTHWEST CORNER OF LOT NO. 130 AND IN THE NORTH LINE OF LOT NO. 128;

THENCE SOUTH 66° 39' 24" WEST WITH THE SOUTH LINE OF THIS TRACT AND THE NORTH LINE OF LOT NO. 128, A DISTANCE OF 62.86 FEET TO THE PLACE OF BEGINNING, CONTAINING WITHIN SAID BOUNDARIES 0.1350 OF AN ACRE OF LAND, MORE OR LESS.

TRACT 7: (EASEMENT ESTATE)

EASEMENT TO WATER WELL SITE: BEING 0.0209 OF AN ACRE OF LAND, MORE OR LESS, SITUATED IN THE ROBERT WISEMAN SURVEY, ABSTRACT NO. 29, CHAMBERS COUNTY, TEXAS, AND BEING OUT OF AND A PART

OF A 117.537 ACRE TRACT OF LAND CALLED TRACT NO. 1 IN A DEED FROM GORDON W. SPEER, TRUSTEE TO WALLACE GRAY AND EDDIE V. GRAY DATED JUNE 30, 1976 AND RECORDED IN VOLUME 384 AT PAGE 581 OF THE DEED RECORDS OF CHAMBERS COUNTY, TEXAS. THIS 0.0209 OF AN ACRE OF LAND, MORE OR LESS, BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS, TO-WIT:

COMMENCING AT AN IRON ROD FOUND AT THE INTERSECTION OF THE WEST LINE OF SAID 117.537 ACRE TRACT WITH THE SOUTH RIGHT OF WAY LINE OF WOODLAND LANE;

THENCE NORTH 84° 17' 58" EAST WITH THE SOUTH RIGHT OF WAY LINE OF SAID LANE, A DISTANCE OF 447.19 FEET TO A PI IN THE SOUTH RIGHT OF WAY LINE OF SAID LANE;

THENCE NORTH 84° 51' 11" EAST WITH THE SOUTH RIGHT OF WAY LINE OF SAID LANE, A DISTANCE OF 40.01 FEET TO AN 80D NAIL SET FOR THE NORTHWEST CORNER OF THIS TRACT OF LAND AND THE PLACE OF BEGINNING;

THENCE NORTH 84° 51' 11" EAST WITH THE NORTH LINE OF THIS TRACT AND THE SOUTH RIGHT OF WAY LINE OF SAID LANE, A DISTANCE OF 34.40 FEET TO AN 80D NAIL SET FOR THE NORTHEAST CORNER OF THIS TRACT OF LAND;

THENCE SOUTH 05° 08' 49" EAST WITH THE EAST LINE OF THIS TRACT, A DISTANCE OF 27.59 FEET TO A 1/2 INCH IRON ROD SET FOR THE SOUTHEAST CORNER OF THIS TRACT AND THE NORTHEAST CORNER OF A 0.0580 OF AN ACRE TRACT AROUND THE WATER TREATMENT PLANT;

THENCE SOUTH 88° 59' 07" WEST WITH THE SOUTH LINE OF THIS TRACT AND THE NORTH LINE OF SAID 0.0580 OF AN ACRE TRACT, A DISTANCE OF 34.75 FEET TO A 1/2 INCH IRON ROD SET FOR THE SOUTHWEST CORNER OF THIS TRACT AND THE MOST NORTHERN NORTHWEST CORNER OF SAID 0.0580 OF AN ACRE TRACT OF LAND;

THENCE NORTH 04° 32' 51" WEST WITH THE WEST LINE OF THIS TRACT A DISTANCE OF 25.09 FEET TO THE PLACE OF BEGINNING, CONTAINING WITHIN SAID BOUNDARIES 0.0209 OF AN ACRE OF LAND, MORE OR LESS.

EXHIBIT "B"

PERMITTED EXCEPTIONS

1. The following restrictive covenants of record itemized below: Those recorded under Volume "B", Page 64, Plat Records of Chambers County, Texas, Volume 379, Page 409 and Volume 397, Page 601, Both of the Deed Records, Chambers County, Texas. (as to Tracts 4 through 7).
2. A 20 foot utility easement along the back line of subject property, as reserved in the restrictions of said subdivision recorded in Volume 397, Page 601 of the Deed Records of Chambers County, Texas.(TRACT 6)
3. A 30 foot building line along the right of way of all streets, as reserved in the restrictions of said subdivision recorded in Volume 397, Page 601 of the Deed Records of Chambers County, Texas, and as shown on the plat of said subdivision recorded in Volume "B", Page 64 of the Plat Records of Chambers County, Texas. (TRACT 6)
4. A 10 foot building line along each interior or back lot line, as reserved in the restrictions of said subdivision recorded in Volume 397, Page 601 of the Deed Records of Chambers County, Texas. (TRACT 6)
5. An unobstructed aerial easement 10 feet wide from a plane 20 feet above the ground upward, located adjacent to all easements shown, as reserved in the map dedication of said subdivision recorded in Volume "8", Page 64 of the Plat Records of Chambers County, Texas. (TRACT 6)
6. Undefined pipeline right of way dated June 10, 1947, recorded in Volume 103, Page 586 of the Deed Records of Chambers County, Texas, from John A. Gordon, et al to The Texas Pipe Line Company.(TRACT 4, TRACT 5 and TRACT 7)
7. Undefined pipeline right of way dated June 13, 1947, recorded in Volume 103, Page 584 of the Deed Records of Chambers County, Texas, from O. M. Pearce, et al to The Texas Pipe Line Company. (TRACT 4, TRACT 5 and TRACT 7)
8. Undefined pipeline right of way dated September 15, 1952, recorded in Volume 145, Page 289 of the Deed Records of Chambers County, Texas, from O. M. Pearce, et al to Sinclair Pipe Line Company. {TRACT 4, TRACT 5 and TRACT 7)
9. Undefined pipeline right of way dated September 15, 1952, recorded in Volume 145, Page 326 of the Deed Records of Chambers County, Texas, from J. Innes Subers, et al to Sinclair Pipe Line Company.(TRACT 4, TRACT 5 and TRACT 7)
10. Undefined pipeline right of way dated December 20, 1960, recorded in Volume 227, Page 205 of the Deed Records of Chambers County, Texas, from H.B. Gordon, et al to Trans-Southern Pipeline Corporation, as amended by instruments recorded in Volume 434, Pages

231,235 and 239, all of the Deed Records of Chambers County, Texas. (TRACT 4, TRACT 5 and TRACT 7)

11. Undefined pipeline right of way dated December 23, 1960, recorded in Volume 227, Page 203 of the Deed Records of Chambers County, Texas, from J. Innes Subers to Trans-Southern Pipeline Corporation, as amended by instruments recorded in Volume 434, Pages 231,235 and 239, all of the Deed Records of Chambers County, Texas. (TRACT 4, TRACT 5 and TRACT 7)
12. Undefined pipeline right of way dated February 13, 1961, recorded in Volume 228, Page 310 of the Deed Records of Chambers County, Texas, from Louis M. Pearce, et al to Trans-Southern Pipeline Corporation.(TRACT 4 and TRACT 6)
13. Boundary Agreement dated March 12, 1974, recorded in Volume 366, Page 354 of the Deed Records of Chambers County, Texas, by and between William H. Craig and Gordon W. Speer, Trustee. {TRACT 4}
14. Easement dated February 4, 1977, recorded in Volume 394, Page 418 of the Deed Records of Chambers County, Texas, from Eddie V. Gray, et al to Houston Lighting and Power Company. {TRACT 6}
15. Easement dated February 25, 1977, recorded in Volume 396, Page 182 of the Deed Records of Chambers County, Texas, from Wallace Gray, et al to Houston Lighting and Power Company. {TRACT 5}
16. Easement created in Deed dated December 1, 1990, recorded in Volume 181, Page 607 of the Official Public Records of Chambers County, Texas, from Woodland Acres to Windy Hill Utilities, Inc. and J. Daniel Workman, as conveyed to C & P Utilities, Inc. by Deed dated September 1, 1998, recorded in Volume 383, Page 826 of the Official Public Records of Chambers County, Texas. {TRACT 7}
17. Easement reserved in Deed dated December 1, 1990, recorded in Volume 181, Page 607 of the Official Public Records of Chambers County, Texas, from Woodland Acres to Windy Hill Utilities, Inc. and J. Daniel Workman. {TRACT 4}
18. A participating royalty interest in and to 1/2 of all oil, gas and other minerals for a term of 50 years, as reserved in Deeds dated March 28, 1970, recorded in Volume 314, Pages 603, 610 and 616, all of the Deed Records of Chambers County, Texas, from Hardy B. Gordon, et al to Howard R. Samply, Trustee. Title to said interest has not been investigated subsequent to the date thereof. (TRACT 4, TRACT 5 and TRACT 7)
19. An undivided 1/8 interest in and to all oil, gas and other minerals, together with the right of ingress and egress and use of the surface of subject property for the purpose of exploring for and developing same, as reserved in Deed dated July 15, 1971, recorded in Volume 326, Page 694 of the Deed Records of Chambers County, Texas, from Dorothy Pearce

Edmonson to Ralph Jansen, Trustee. Title to said interest has not been investigated subsequent to the date thereof. (TRACT 4 and TRACT 6)

20. All mineral interests reserved in the restrictions of said subdivision dated July 26, 1976, recorded in Volume 397, Page 601 of the Deed Records of Chambers County, Texas. Title to said interest has not been investigated subsequent to the date thereof. (TRACT 6)

1. As of the date hereof Grantor has complied with all terms, provisions and covenants of, and performed all required services under, the Agreement as the Agreement relates to the Facilities, and Grantor has paid in full all repair costs as required by the Agreement and paid its prorate share of all expansions/upgrades to the Facilities as required by the Agreement.
2. Grantor has the full legal right and authority to make the sale, transfer, and assignment herein provided.
3. Grantor has good and marketable title to the Facilities conveyed and sold hereunder, is not a party to any written or oral contract which adversely affects this conveyance and sale, and is not subject to any bylaw, agreement, mortgage, lien, lease, instrument, order, judgment, decree, or other restriction of any kind or character which would prevent the execution of this conveyance and bill of sale.
4. Grantor is not engaged in or threatened with any legal action or proceeding, nor is it under any investigation, which would prevent the execution of this conveyance and bill of sale.
5. The person executing this conveyance and bill of sale on behalf of Grantor has full authority to do so, and no further official action need be taken by Grantor to validate this conveyance and bill sale.
6. There are no holders of liens against the Facilities.

The representations, warranties, covenants, indemnities, and other agreements contained herein shall be deemed to be material and continuing, shall not be merged, and shall survive the closing of this transaction and the delivery of the Facilities, except as otherwise herein expressly provided.

The parties represent that neither has used any agent or broker to bring about this conveyance and sale and agree that no fee is due any agent or broker by reason hereof.

The conveyance and bill of sale may be executed in a number of counterparts each of which shall, for all purposes, be deemed to be an original, and all such counterparts shall together constitute and be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this conveyance and bill of sale to be executed and delivered by their duly authorized officers.

[SIGNATURES COMMENCE ON FOLLOWING PAGES]

EXECUTED this the 12th day of March, 2019.

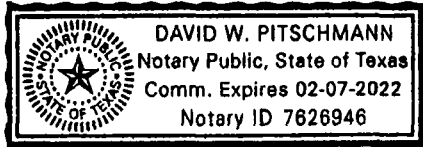
GRANTOR:

J&S Water Company, LLC,
a Texas limited liability company

By: *Jerry Nowling*
Jerry Nowling, Owner/Managing Member

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on March 12, 2019, by Jerry Nowling, Owner/Managing Member of J&S Water Company, LLC, a Texas limited liability company, on behalf of said company.



[Signature]
Notary Public in and for
the State of Texas

Printed Name of Notary _____
My commission expires: _____

Exhibit 1

List of Utility Systems and Assets

SEE ATTACHED

J & S Water Company L.L.C.			Transferred Asset List - Water							
Test Period Ends:		30-Jun-18								
NARUC Acct. No.	Item Description	Installation Date	Original Cost	CIAC	Service Life	Economic Life	Remaining Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value
WOODLAND ACRES										
303	Land	1-Jun-74	\$582							\$582
307	Wells - 2 Ea.	1-Jul-71	\$25,750	\$0	50	47	3	\$515	\$24,287	\$1,463
322	GST - 21,000 gal.	1-Jan-93	\$11,189	\$0	50	26	24	\$224	\$5,724	\$5,465
322	GST - 42,000 gal.	1-Jan-93	\$15,943	\$0	50	26	24	\$319	\$8,156	\$7,787
320	PST - 6000 gal.	1-Jul-81	\$17,317	\$0	50	37	13	\$346	\$12,857	\$4,460
313	Booster Pump - 7.5 Hp	22-Feb-11	\$1,299	\$0	10	7	3	\$130	\$958	\$341
305	Wood Building	21-Oct-10	\$2,734	\$0	15	8	7	\$182	\$1,407	\$1,327
349	Electrical Controls	28-Oct-09	\$2,000	\$0	10	9	1	\$200	\$1,740	\$260
325	Dist System	1-Dec-76	\$60,140	\$0	50	42	8	\$1,203	\$50,181	\$9,959
313	Booster Pump - 15 Hp	31-Jan-13	\$1,155	\$0	10	5	5	\$116	\$627	\$528
309	Well Pump - 5 Hp	2-Feb-15	\$5,393	\$0	5	3	2	\$1,079	\$3,686	\$1,707
310	Well w/ 20 Hp Pump	15-Sep-15	\$16,773	\$0	50	3	47	\$335	\$939	\$15,834
315	Chl Equipment	13-Feb-15	\$1,806	\$0	5	3	2	\$361	\$1,224	\$582
334	Fencing	10-Mar-16	\$3,275	\$0	20	2	18	\$164	\$379	\$2,896
313	Blower Repair	14-Jun-16	\$2,900	\$0	10	2	8	\$290	\$594	\$2,306
MAPLE LEAF										
303	Land	1-Jul-78	\$5,000							\$5,000
303	Land	1-Jan-81	\$2,456							\$2,456
307	Water Plant	1-Mar-81	\$46,755	\$0	50	37	13	\$935	\$35,028	\$11,727
328	3" Dia. Master Meter	16-Nov-10	\$1,134	\$0	20	8	12	\$57	\$434	\$700
305	GST - 65,000 gal.	8-Sep-15	\$48,312	\$0	50	3	47	\$966	\$2,724	\$45,588
325	Dist. System	1-Jul-78	\$26,134	\$0	50	40	10	\$523	\$20,978	\$5,156
325	Dist. System	1-Sep-78	\$16,017	\$0	50	40	10	\$320	\$12,802	\$3,215
325	Dist. System	1-Nov-83	\$400	\$0	50	35	15	\$8	\$278	\$122
325	Dist. System	1-May-83	\$52,197	\$0	50	35	15	\$1,044	\$36,836	\$15,361
307	Well	2-Jun-16	\$65,678	\$0	50	2	48	\$1,314	\$2,735	\$62,943
313	Booster Pumps - 15 Hp	18-Jun-14	\$2,195	\$0	10	4	6	\$220	\$888	\$1,307
313	Booster Pump - 15 Hp	16-Sep-15	\$1,139	\$0	10	3	7	\$114	\$319	\$820
310	Well Pump - 20 Hp	3-Mar-15	\$12,632	\$0	10	3	7	\$1,263	\$4,216	\$8,416
322	GST - Pad	28-Jun-14	\$2,400	\$0	50	4	46	\$48	\$193	\$2,207
322	GST	4-Nov-14	\$11,423	\$0	50	4	46	\$228	\$837	\$10,586
Totals:			\$462,128	\$0				\$12,503	\$231,027	\$231,101

Page 1

J & S Water Company L.L.C.			Transferred Asset List - Water							
Test Period Ends:		30-Jun-18								
NARUC Acct. No.	Item Description	Installation Date	Original Cost	CIAC	Expected Service Life	Economic Life	Remaining Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value
320	PST - 5000 gal	29-Jul-15	\$20,108	\$0	50		3	\$402	\$1,179	\$18,929
320	Crane - PST Install.	29-Jul-15	\$1,712	\$0	50		3	\$34	\$100	\$1,612
315	Chl Equipment	14-Sep-15	\$1,513	\$0	5		3	\$303	\$848	\$665
349	Electrical Equipment	10-Mar-11	\$1,193	\$0	10		7	\$119	\$875	\$318
325	Interconnection - WHC1	28-Apr-16	\$1,500	\$0	20		2	\$75	\$163	\$1,337
OAKLAND VILLAGE										
303	Land	1-Sep-79	\$2,679							\$2,679
307	Well & Pumps	1-Sep-79	\$14,867	\$0	50	39	11	\$297	\$11,585	\$3,282
307	Well & Pumps	1-Sep-79	\$14,867	\$0	50	39	11	\$297	\$11,585	\$3,282
320	PST - 500 gal.	1-Sep-79	\$6,795	\$0	50	39	11	\$136	\$5,295	\$1,500
325	Dist. System	1-Sep-79	\$31,298	\$0	50	39	11	\$626	\$24,388	\$6,910
GENERAL ITEMS										
399	Engineering	28-May-16	\$1,000	\$0	10		2	\$100	\$210	\$790
328	Meter Calibration	28-Nov-14	\$1,575	\$0	20		4	\$79	\$283	\$1,292
328	Meters - 10 Ea.	9-Sep-15	\$1,010	\$0	20		3	\$51	\$142	\$868
Totals: Page 2			\$100,117	\$0				\$2,519	\$56,653	\$43,464
Totals: Page 1			\$462,128	\$0				\$12,503	\$231,027	\$231,101
Totals - Utility Water Plant:			\$562,245	\$0				\$15,022	\$287,681	\$274,564

Page 2

J & S Water Company L.L.C.		Transferred Asset List - Sewer									
Test Period Ends:		30-Jun-18									
NARUC Acct. No.	Item Description	Installation Date	Original Cost	CIAC	Service Life	Economic Life	Remaining Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value	
WOODLAND ACRES											
353	Land	1-Jun-74	\$1,160							\$1,160	
364	Lift Station - 2 ea.	1-Jul-76	\$11,360	\$0	50	42	8	\$227	\$9,574	\$1,786	
389	Treatment Plant	1-Oct-79	\$182,496	\$0	50	39	11	\$3,650	\$141,906	\$40,590	
371	Rake Arm Repair	28-Feb-07	\$3,375	\$0	25	11	14	\$135	\$1,535	\$1,840	
371	900 gal. Tank	9-Nov-09	\$3,730	\$0	25	9	16	\$149	\$1,293	\$2,437	
361	Collection Lines	1-Jul-76	\$206,440	\$0	50	42	8	\$4,129	\$173,988	\$32,452	
371	Cleanout Bottom - Plant	3-Jan-11	\$18,900	\$0	25	8	17	\$756	\$5,680	\$13,220	
367	Blower	15-Sep-14	\$2,419	\$0	5	4	1	\$484	\$1,840	\$579	
389	Misc. Metal Frame	18-Mar-14	\$1,499	\$0	50	4	46	\$30	\$129	\$1,370	
389	Misc. Metal Frame	8-Mar-15	\$1,536	\$0	50	3	47	\$31	\$102	\$1,434	
365	Lift Stat. Pump - 3 Hp	12-Sep-14	\$1,116	\$0	5	4	1	\$223	\$850	\$266	
365	Lift Stat. Pump - 3 Hp	31-Mar-15	\$2,269	\$0	5	3	2	\$454	\$1,480	\$789	
357	Base & Asphalt	8-Jun-15	\$1,372	\$0	50	3	47	\$27	\$84	\$1,288	
368	Sewer Pump - 15 Hp	1-May-14	\$1,221	\$0	10	4	6	\$122	\$510	\$711	
368	Sewer Pump - 15 Hp	1-Aug-14	\$1,032	\$0	10	4	6	\$103	\$405	\$627	
367	Sewer Pump - 10 Hp	12-Aug-14	\$985	\$0	5	4	1	\$197	\$768	\$218	
Totals:			\$440,911	\$0				\$10,718	\$340,146	\$100,765	

J & S Water Company L.L.C.		Transferred Asset List - Sewer									
Test Period Ends:		30-Jun-18									
NARUC Acct. No.	Item Description	Installation Date	Original Cost	CIAC	Service Life	Economic Life	Remaining Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value	
MAPLE LEAF											
353	Land	1-Jan-81	\$19,939							\$19,939	
364	Lift Station - 3 ea.	1-Jul-81	\$30,330	\$0	50	37	13	\$607	\$22,519	\$7,811	
389	Package Plant	1-May-83	\$99,264	\$0	50	35	15	\$1,985	\$70,052	\$29,212	
389	Digester	9-May-94	\$2,150	\$0	50	24	26	\$43	\$1,042	\$1,108	
389	Digester	3-Jun-94	\$2,150	\$0	50	24	26	\$43	\$1,039	\$1,111	
389	Digester	10-Jul-94	\$2,270	\$0	50	24	26	\$45	\$1,092	\$1,178	
361	Main Lines	1-May-83	\$140,451	\$0	50	35	15	\$2,809	\$99,125	\$41,326	
371	Const. Crew - 22 Hrs.	10-Apr-07	\$1,221	\$0	25	11	14	\$49	\$550	\$671	
365	Lift Station Pump 1 Hp	27-Aug-14	\$1,119	\$0	5	4	1	\$224	\$863	\$256	
371	Engineering Clarifier	8-Sep-14	\$1,000	\$0	25	4	21	\$40	\$153	\$847	
367	Pump - 1/2 Hp	26-Nov-13	\$1,066	\$0	5	5	0	\$213	\$982	\$84	
365	Lift Stat. Pump - 1/2 Hp	28-May-14	\$1,104	\$0	5	4	1	\$221	\$906	\$198	
365	Lift Stat. Pump - 3 Hp	16-Sep-15	\$1,139	\$0	5	3	2	\$228	\$637	\$502	
367	Shredder Pump	13-Aug-15	\$9,722	\$0	5	3	2	\$1,944	\$5,620	\$4,102	
367	Sewage Pump - 1 Hp	19-Jun-14	\$1,189	\$0	5	4	1	\$238	\$962	\$227	
Totals Page 2.			\$314,124	\$0				\$8,689	\$205,541	\$108,583	
Totals Page 1:			\$440,911	\$0				\$10,718	\$340,146	\$100,765	
Totals - Utility Sewer Plant:			\$755,035	\$0				\$19,407	\$545,687	\$209,348	

CONVEYANCE AND BILL OF SALE OF UTILITY FACILITIES

(PWS # 101149 3-Maple Leaf Gardens; PWS # 1010049-Oakland Village; and PWS #030027-
serving the Woodlands Acres, Subdivision and adjoining Mobile Home Park)

THE STATE OF TEXAS §
 § KNOW ALL PERSONS BY THESE PRESENTS THAT:
COUNTY OF CHAMBERS §

J&S WATER COMPANY, LLC, a Texas limited liability company, having an address of 8010 Thompson Road, Highlands, Texas 77562 ("Grantor"), and **NERRO SUPPLY, LLC**, a Texas limited liability company, having an address of 5599 San Felipe, Suite 1200, Houston, TX 77056 ("Grantee"), for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and in further consideration of the agreement of Grantee to pay the "Purchase Price" as defined in and pursuant to the terms of that certain Purchase and Sale Agreement between Grantor and Grantee herein dated to the effective April 13, 2018 (the "Agreement"), has TRANSFERRED, BARGAINED, GRANTED, SOLD, CONVEYED, ASSIGNED, SET OVER and DELIVERED, and by these presents does TRANSFER, BARGAIN, GRANT, SELL, CONVEY, ASSIGN, SET OVER and DELIVER, to Grantee its successors and assigns, all its right, title and interest in PWS # 101149,-Maple Leaf Gardens, PWS #1010049-Oakland Village, and PWS #0360027-serving the Woodlands Acres, Subdivision and adjoining Mobile Home Park, including all facilities and all goods, plants, appliances, lines, pipes and works incorporated as part of the facilities, including without limitation all Utility Systems and Assets as defined in the Agreement (collectively referred to herein as the "Facilities") described in Exhibit "1" attached hereto and made a part hereof for all purposes. The conveyance and sale of the Facilities hereunder is made free and clear of all liens, claims, encumbrances, options, charges, assessments, restrictions, limitations, and reservations, including liens for ad valorem taxes for the current year and any payments due to construction contractors, laborers and materialmen which might affect the Facilities due to the proposed or prior expansion/upgrade of same.

TO HAVE AND TO HOLD the above-described Facilities together with all and singular the rights and appurtenances thereunto in anywise belonging, including all necessary rights of ingress, egress, and regress, unto Grantee, its successors and assigns, forever; and Grantor does hereby bind itself, its successors and assigns to warrant and forever defend, all and singular, the above-described Facilities subject to the matters herein set forth, unto Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Grantor but not otherwise.

Grantor binds and obligates itself, its successors and assigns to execute and deliver at the request of Grantee any other or additional instruments of transfer, bills of sale, conveyances, or other instruments or documents which may be necessary or desirable to evidence more completely or to perfect the transfer to Grantee of the Facilities.

Grantor, in addition to the other representations and warranties herein, specifically makes the following agreements, representations and warranties:

1. As of the date hereof Grantor has complied with all terms, provisions and covenants of, and performed all required services under, the Agreement as the Agreement relates to the Facilities, and Grantor has paid in full all repair costs as required by the Agreement and paid its prorate share of all expansions/upgrades to the Facilities as required by the Agreement.
2. Grantor has the full legal right and authority to make the sale, transfer, and assignment herein provided.
3. Grantor has good and marketable title to the Facilities conveyed and sold hereunder, is not a party to any written or oral contract which adversely affects this conveyance and sale, and is not subject to any bylaw, agreement, mortgage, lien, lease, instrument, order, judgment, decree, or other restriction of any kind or character which would prevent the execution of this conveyance and bill of sale.
4. Grantor is not engaged in or threatened with any legal action or proceeding, nor is it under any investigation, which would prevent the execution of this conveyance and bill of sale.
5. The person executing this conveyance and bill of sale on behalf of Grantor has full authority to do so, and no further official action need be taken by Grantor to validate this conveyance and bill sale.
6. There are no holders of liens against the Facilities.

The representations, warranties, covenants, indemnities, and other agreements contained herein shall be deemed to be material and continuing, shall not be merged, and shall survive the closing of this transaction and the delivery of the Facilities, except as otherwise herein expressly provided.

The parties represent that neither has used any agent or broker to bring about this conveyance and sale and agree that no fee is due any agent or broker by reason hereof.

The conveyance and bill of sale may be executed in a number of counterparts each of which shall, for all purposes, be deemed to be an original, and all such counterparts shall together constitute and be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this conveyance and bill of sale to be executed and delivered by their duly authorized officers.

[SIGNATURES COMMENCE ON FOLLOWING PAGES]

EXECUTED this the 12th day of March, 2019.

GRANTOR:

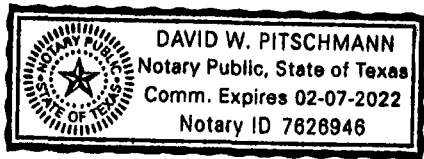
J&S Water Company, LLC,
a Texas limited liability company

By: *Jerry Nowling*
Jerry Nowling, Owner/Managing Member

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on March 12, 2019, by Jerry Nowling, Owner/Managing Member of J&S Water Company, LLC, a Texas limited liability company, on behalf of said company.



[Signature]

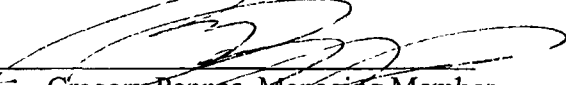
Notary Public in and for
the State of Texas

Printed Name of Notary _____
My commission expires: _____

AGREED AND ACCEPTED this the 13th day of March, 2019.

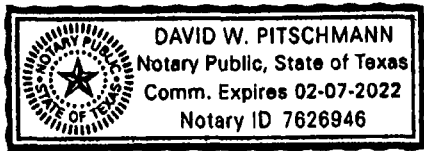
GRANTEE:

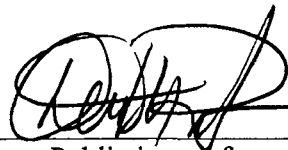
Nerro Supply, LLC,
a Texas limited liability company

By: 
Gregory Pappas, Managing Member

STATE OF TEXAS §
 §
COUNTY OF Harris §

This instrument was acknowledged before me on March 13, 2019, by Gregory Pappas, Managing Member, of Nerro Supply, LLC, a Texas limited liability company, on behalf of said company.





Notary Public in and for
the State of Texas

Printed Name of Notary
My commission expires: _____

Exhibit 1

List of Utility Systems and Assets

SEE ATTACHED

J & S Water Company L.L.C.		Transferred Asset List - Water								
NARUC Acct. No.	Item Description	Installation Date	Original Cost	CIAC	Service Life	Economic Life	Remaining Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value
WOODLAND ACRES										
303	Land	1-Jun-74	\$582							\$582
307	Wells - 2 Ea.	1-Jul-71	\$25,750	\$0	50	47	3	\$515	\$24,287	\$1,463
322	GST - 21,000 gal.	1-Jan-93	\$11,189	\$0	50	26	24	\$224	\$5,724	\$5,465
322	GST - 42,000 gal.	1-Jan-93	\$15,943	\$0	50	26	24	\$319	\$8,156	\$7,787
320	PST - 6000 gal	1-Jul-81	\$17,317	\$0	50	37	13	\$346	\$12,857	\$4,460
313	Booster Pump - 7.5 Hp	22-Feb-11	\$1,299	\$0	10	7	3	\$130	\$958	\$341
305	Wood Building	21-Oct-10	\$2,734	\$0	15	8	7	\$182	\$1,407	\$1,327
349	Electrical Controls	28-Oct-09	\$2,000	\$0	10	9	1	\$200	\$1,740	\$260
325	Dist. System	1-Dec-76	\$60,140	\$0	50	42	8	\$1,203	\$50,181	\$9,959
313	Booster Pump - 15 Hp	31-Jan-13	\$1,155	\$0	10	5	5	\$116	\$627	\$528
309	Well Pump - 5 Hp	2-Feb-15	\$5,393	\$0	5	3	2	\$1,079	\$3,686	\$1,707
310	Well w/ 20 Hp Pump	15-Sep-15	\$16,773	\$0	50	3	47	\$335	\$939	\$15,834
315	Chl Equipment	13-Feb-15	\$1,806	\$0	5	3	2	\$361	\$1,224	\$582
334	Fencing	10-Mar-16	\$3,275	\$0	20	2	18	\$164	\$379	\$2,896
313	Blower Repair	14-Jun-16	\$2,900	\$0	10	2	8	\$290	\$594	\$2,306
MAPLE LEAF										
303	Land	1-Jul-78	\$5,000							\$5,000
303	Land	1-Jan-81	\$2,456							\$2,456
307	Water Plant	1-Mar-81	\$46,755	\$0	50	37	13	\$935	\$35,028	\$11,727
328	3" Dia. Master Meter	16-Nov-10	\$1,134	\$0	20	8	12	\$57	\$434	\$700
305	GST - 65,000 gal.	8-Sep-15	\$48,312	\$0	50	3	47	\$966	\$2,724	\$45,588
325	Dist. System	1-Jul-78	\$26,134	\$0	50	40	10	\$523	\$20,978	\$5,156
325	Dist. System	1-Sep-78	\$16,017	\$0	50	40	10	\$320	\$12,802	\$3,215
325	Dist. System	1-Nov-83	\$400	\$0	50	35	15	\$8	\$278	\$122
325	Dist. System	1-May-83	\$52,197	\$0	50	35	15	\$1,044	\$36,836	\$15,361
307	Well	2-Jun-16	\$65,678	\$0	50	2	48	\$1,314	\$2,735	\$62,943
313	Booster Pumps - 15 Hp	18-Jun-14	\$2,195	\$0	10	4	6	\$220	\$888	\$1,307
313	Booster Pump - 15 Hp	16-Sep-15	\$1,139	\$0	10	3	7	\$114	\$319	\$820
310	Well Pump - 20 Hp	3-Mar-15	\$12,632	\$0	10	3	7	\$1,263	\$4,216	\$8,416
322	GST - Pad	28-Jun-14	\$2,400	\$0	50	4	46	\$48	\$193	\$2,207
322	GST	4-Nov-14	\$11,423	\$0	50	4	46	\$228	\$837	\$10,586
Totals:			\$462,128	\$0				\$12,503	\$231,027	\$231,101

Page 1

J & S Water Company L.L.C.		Transferred Asset List - Water								
NARUC Acct. No.	Item Description	Installation Date	Original Cost	CIAC	Expected Service Life	Economic Life	Remaining Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value
320	PST - 5000 gal.	29-Jul-15	\$20,108	\$0	50	3	47	\$402	\$1,179	\$18,929
320	Crane - PST Install.	29-Jul-15	\$1,712	\$0	50	3	47	\$34	\$100	\$1,612
315	Chl Equipment	14-Sep-15	\$1,513	\$0	5	3	2	\$303	\$848	\$665
349	Electrical Equipment	10-Mar-11	\$1,193	\$0	10	7	3	\$119	\$875	\$318
325	Interconnection - WHC1	28-Apr-16	\$1,500	\$0	20	2	18	\$75	\$163	\$1,337
OAKLAND VILLAGE										
303	Land	1-Sep-79	\$2,679							\$2,679
307	Well & Pumps	1-Sep-79	\$14,867	\$0	50	39	11	\$297	\$11,585	\$3,282
307	Well & Pumps	1-Sep-79	\$14,867	\$0	50	39	11	\$297	\$11,585	\$3,282
320	PST - 500 gal.	1-Sep-79	\$6,795	\$0	50	39	11	\$136	\$5,295	\$1,500
325	Dist. System	1-Sep-79	\$31,298	\$0	50	39	11	\$626	\$24,388	\$6,910
GENERAL ITEMS										
399	Engineering	28-May-16	\$1,000	\$0	10	2	8	\$100	\$210	\$790
328	Meter Calibration	28-Nov-14	\$1,575	\$0	20	4	16	\$79	\$283	\$1,292
328	Meters - 10 Ea.	9-Sep-15	\$1,010	\$0	20	3	17	\$51	\$142	\$868
Totals: Page 2			\$100,117	\$0				\$2,519	\$56,653	\$43,464
Totals: Page 1			\$462,128	\$0				\$12,503	\$231,027	\$231,101
Totals - Utility Water Plant:			\$562,245	\$0				\$15,022	\$287,681	\$274,564

Page 2

J & S Water Company L.L.C.			Transferred Asset List - Sewer							
Test Period Ends: 30-Jun-18										
NARUC Acct. No.	Item Description	Installation Date	Original Cost	CIAC	Service Life	Economic Life	Remaining Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value
WOODLAND ACRES										
353	Land	1-Jun-74	\$1,160							\$1,160
364	Lift Station - 2 ea.	1-Jul-76	\$11,360	\$0	50	42	8	\$227	\$9,574	\$1,786
389	Treatment Plant	1-Oct-79	\$182,496	\$0	50	39	11	\$3,650	\$141,906	\$40,590
371	Rake Arm Repair	28-Feb-07	\$3,375	\$0	25	11	14	\$135	\$1,535	\$1,840
371	900 gal Tank	9-Nov-09	\$3,730	\$0	25	9	16	\$149	\$1,293	\$2,437
361	Collection Lines	1-Jul-76	\$206,440	\$0	50	42	8	\$4,129	\$173,988	\$32,452
371	Cleanout Bottom - Plant	3-Jan-11	\$18,900	\$0	25	8	17	\$756	\$5,680	\$13,220
367	Blower	15-Sep-14	\$2,419	\$0	5	4	1	\$484	\$1,840	\$579
389	Misc. Metal Frame	18-Mar-14	\$1,499	\$0	50	4	46	\$30	\$129	\$1,370
389	Misc. Metal Frame	8-Mar-15	\$1,536	\$0	50	3	47	\$31	\$102	\$1,434
365	Lift Stat. Pump - 3 Hp	12-Sep-14	\$1,116	\$0	5	4	1	\$223	\$850	\$266
365	Lift Stat. Pump - 3 Hp	31-Mar-15	\$2,269	\$0	5	3	2	\$454	\$1,480	\$789
357	Base & Asphalt	8-Jun-15	\$1,372	\$0	50	3	47	\$27	\$84	\$1,288
368	Sewer Pump - 15 Hp	1-May-14	\$1,221	\$0	10	4	6	\$122	\$510	\$711
368	Sewer Pump - 15 Hp	1-Aug-14	\$1,032	\$0	10	4	6	\$103	\$405	\$627
367	Sewer Pump - 10 Hp	12-Aug-14	\$986	\$0	5	4	1	\$197	\$768	\$218
Totals:			\$440,911	\$0				\$10,718	\$340,146	\$100,765

J & S Water Company L.L.C.			Transferred Asset List - Sewer							
Test Period Ends: 30-Jun-18										
NARUC Acct. No.	Item Description	Installation Date	Original Cost	CIAC	Service Life	Economic Life	Remaining Service Life	Annual Deprec. Expense	Total Accum. Deprec.	Net Book Value
MAPLE LEAF										
353	Land	1-Jan-81	\$19,939							\$19,939
364	Lift Station - 3 ea.	1-Jul-81	\$30,330	\$0	50	37	13	\$607	\$22,519	\$7,811
389	Package Plant	1-May-83	\$99,264	\$0	50	35	15	\$1,985	\$70,052	\$29,212
389	Digester	9-May-94	\$2,150	\$0	50	24	26	\$43	\$1,042	\$1,108
389	Digester	3-Jun-94	\$2,150	\$0	50	24	26	\$43	\$1,039	\$1,111
389	Digester	10-Jul-94	\$2,270	\$0	50	24	26	\$45	\$1,092	\$1,178
361	Main Lines	1-May-83	\$140,461	\$0	50	35	15	\$2,809	\$99,125	\$41,336
371	Const. Crew - 22 Hrs.	10-Apr-07	\$1,221	\$0	25	11	14	\$49	\$550	\$671
365	Lift Station Pump 1 Hp	27-Aug-14	\$1,119	\$0	5	4	1	\$224	\$863	\$256
371	Engineering Clarifier	8-Sep-14	\$1,000	\$0	25	4	21	\$40	\$153	\$847
367	Pump - 1/2 Hp	26-Nov-13	\$1,066	\$0	5	5	0	\$213	\$982	\$84
365	Lift Stat. Pump - 1/2 Hp	28-May-14	\$1,104	\$0	5	4	1	\$221	\$906	\$198
365	Lift Stat. Pump - 3 Hp	16-Sep-15	\$1,139	\$0	5	3	2	\$228	\$637	\$502
367	Shredder Pump	13-Aug-15	\$9,722	\$0	5	3	2	\$1,944	\$5,620	\$4,102
367	Sewage Pump - 1 Hp	19-Jun-14	\$1,189	\$0	5	4	1	\$238	\$962	\$227
Totals Page 2:			\$314,124	\$0				\$8,689	\$205,541	\$108,683
Totals Page 1:			\$440,911	\$0				\$10,718	\$340,146	\$100,765
Totals - Utility Sewer Plant:			\$755,035	\$0				\$19,407	\$545,687	\$209,348

NOTICE OF INVALIDITY OF ORAL AGREEMENTS

1. Date: March 13, 2019.
2. As used in this Notice:

"Borrower" means the borrower or borrowers identified below.

"Lender" means ALLEGIANCE BANK.

"Loan" means the loan by Lender which is evidenced by the Promissory Note of even date herewith, executed by Borrower and payable to the order of Lender, in the original principal amount of \$1,200,000.00.

"Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan.

"Parties" means each of the undersigned persons or entities.
3. **THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.**
THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.
4. Each of the Parties who signs below acknowledges, represents, and warrants to Lender that Lender has given and such parties have received a copy of this Notice on the date stated below, prior to the execution of any Loan Agreement.
5. This Notice may be executed in multiple counterparts, and each counterpart executed by any party shall be deemed an original and shall be binding upon the person or entity executing the same, irrespective of whether any other person has executed that or any other counterpart of this Notice. Production of any counterpart other than the one to be enforced shall not be required.

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SIGNATURE PAGE TO NOTICE OF INVALIDITY OF ORAL AGREEMENTS

Executed for all purposes the date first above written.

BORROWER:

NERRO SUPPLY, LLC

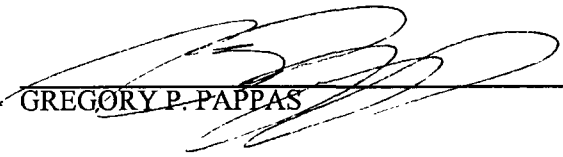
By: 
Gregory P. Pappas, Manager

LENDER:

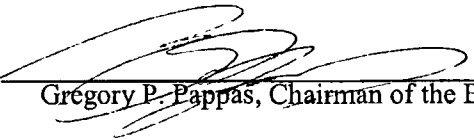
ALLEGIANCE BANK

By: _____
Name: _____
Title: _____

OTHER DEBTORS AND OBLIGORS:


GREGORY P. PAPPAS

BLACKSWAN WATER RESOURCES, LLC

By: 
Gregory P. Pappas, Chairman of the Board

GULF UTILITY SERVICE, INC.

By: _____
Charles G. Peterson, President

CLOSING AGREEMENT

This Closing Agreement is entered into this 13th day of March, 2019, from NERRO SUPPLY, LLC, a Texas limited liability company (the "Borrower"), together with GREGORY P. PAPPAS, BLACKSWAN WATER RESOURCES, LLC, a Texas limited liability company, and GULF UTILITY SERVICE, INC., a Texas corporation (collectively, the "Guarantors"), to and for the benefit of ALLEGIANCE BANK (the "Lender").

RECITALS:

A. Lender, Borrower and Guarantors are this day consummating the closing of a \$1,200,000.00 loan from Lender to Borrower (the "Loan").

B. Concurrent with the execution of this Closing Agreement, Borrower and Guarantors are executing various documents supplied by Lender to evidence the Loan (collectively, the "Loan Documents"). All terms in this Closing Agreement which are defined terms in the Loan Documents shall have the same meanings as the terms have in the Loan Documents unless otherwise provided herein.

C. This Closing Agreement is entered into by the parties hereto as a document required to complete the Loan.

AGREEMENTS:

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Guarantors agree with Lender as follows:

1. In the event any of the Loan Documents required under the Loan are not executed or delivered by Borrower or any of the Guarantors, such party shall immediately execute and deliver any such Loan Documents upon demand from Lender.

2. Borrower and Guarantors agree to promptly cure any defects in the execution and delivery of all Loan Documents, correct any of the Loan Documents already signed, and immediately execute and deliver to Lender all such other and further instruments as may be reasonably required by Lender from time to time in order to satisfy or complete the covenants and agreements of Borrower or any of the Guarantors made in the Loan Documents; provided, however, that nothing herein shall expand the liability of any Guarantor in excess of the guarantee liability assumed pursuant to such Guarantor's Limited Guaranty Agreement.

3. Borrower shall pay any and all reasonable expenses in connection with the preparation of the Loan Documents and agrees that even if the expenses have not been collected from Borrower by error, Borrower shall, upon demand from Lender, promptly pay the expenses to Lender or to such other parties as Lender directs.

4. Any default by Borrower or any of the Guarantors hereunder shall constitute an Event of Default, as defined in the Loan Documents, and, subject to the notice and right to cure provisions in the Loan Documents, Lender shall be thereby entitled to all remedies under the Loan Documents.

5. The provisions of this Closing Agreement shall survive the execution and delivery of the Loan Documents.

6. This Closing Agreement may be executed by email or facsimile (faxed) signatures and in several or separate counterparts, each of which shall be an original, but all of which, taken together, shall be deemed to constitute one and the same agreement. Production any counterpart other than the one to be enforced shall not be required.

(Remainder of Page Intentionally Left Blank)

SIGNATURE PAGE TO CLOSING AGREEMENT


EXECUTED effective for all purposes as of the date first above written.


BORROWER:

NERRO SUPPLY, LLC

By: 
Gregory P. Pappas, Manager

GUARANTORS:


GREGORY P. PAPPAS
BLACKSWAN WATER RESOURCES, LLC

By: 
Gregory P. Pappas, Chairman of the Board

GULF UTILITY SERVICE, INC.

By: _____
Charles G. Peterson, President

UNLIMITED GUARANTY AGREEMENT

This Unlimited Guaranty Agreement ("Guaranty") is entered into effective as of March ____, 2019, by GULF UTILITY SERVICE, INC., a Texas corporation (the "Guarantor") for the benefit of ALLEGIANCE BANK (the "Lender").

1. For and in consideration of the sum of \$10.00 and other good and valuable considerations in hand paid to Guarantor, the receipt and sufficiency of which consideration are hereby acknowledged, and for the purpose of enabling NERRO SUPPLY, LLC, a Texas limited liability company (the "Borrower"), to borrow certain funds from Lender, and recognizing that Guarantor has benefitted or shall benefit, directly or indirectly, from the making of such loan from Lender to Borrower, that such loan is in the best interests of Guarantor, and that but for this Guaranty such loan would not be made by Lender to Borrower and the funds advanced thereunder, Guarantor, irrevocably, absolutely, and unconditionally guarantees to Lender the prompt payment when due at maturity of the following (collectively, the "Obligations"): (i) all indebtedness and obligations of any kind of Borrower to Lender (and also to others to the extent of participations granted them by Lender), now outstanding or owing or which may hereafter be executed or incurred directly between Borrower and Lender or acquired outright, as a participation, conditionally or as collateral security from another by Lender, absolute or contingent, joint and/or several, secured or unsecured, due or not due, arising by operation of law or otherwise, direct or indirect, including indebtedness, obligations, and liabilities of Borrower to Lender as a member of any partnership, syndicate, association, or other group, and whether incurred by Borrower as principal, surety, endorser, guarantor, accommodation party, or otherwise, including, but not limited to all sums arising out of or under that certain Promissory Note of even date herewith, in the principal amount of \$1,200,000.00, executed by Borrower and payable to the order of Lender (the "Note"), including all principal, interest, charges, and reasonable attorneys' fees which may be or become due or owing on or under or in connection with the Note, and all renewals, rearrangements, extensions, modifications, and consolidations thereof and of any part thereof; (ii) all sums due to or to become due pursuant to any covenant, agreement, and other obligation undertaken by Borrower in all instruments governing, securing, or pertaining to the Note (collectively, the "Loan Documents"), including, but not limited to the Loan Agreement ("Loan Agreement") of even date, between Borrower and Lender and (iii) all reasonable and bona fide costs, attorneys' fees, and expenses incurred or expended by Lender due to any default in the performance under the Note or Loan Documents, or in enforcing any right granted thereunder or under this Guaranty.

2. All amounts becoming payable by Guarantor to Lender under this Guaranty shall be payable at Lender's offices in Houston, Texas, or such other place as Lender may from time to time designate.

3. In each event whenever any of the Obligations shall become due and remain unpaid (howsoever the maturity thereof may have occurred), after giving effect to any notice and cure provisions contained in the Loan Agreement, Guarantor will, on demand, pay the amount due thereon by Guarantor to Lender, without further notice of dishonor and without any notice having been given to Guarantor previous to such demand of the acceptance by Lender of this Guaranty or of the creating or incurring of such indebtedness. Guarantor shall be liable as a primary obligor for the payment and performance of the Obligations. Guarantor specifically agrees that, except as otherwise provided in the Loan Documents, it shall not be necessary or required, in order to enforce Guarantor's obligations under this Guaranty, that Lender have made demand for payment upon Borrower or any other person or entity liable thereon or have made protest thereof or have given notice to Borrower or any other party liable thereon of maturity or nonpayment of the Obligations.

4. Guarantor specifically waives (a) any notice of: (i) acceptance of this Guaranty by Lender, (ii) the creation, advancement, existence, extension, renewal, modification, consolidation, or the rearrangement from time to time of the Obligations, (iii) the increase from time to time in the principal amount on the Obligations, (iv) the increase or reduction from time to time of the rate of interest thereon, (v) any indulgence from time to time with respect to the Obligations, or any part thereof, and (vi) nonpayment of or default on the Obligations, (b) grace, demand, protest, presentment, (c) notice of demand, protest, and presentment with respect to the Obligations, and (d) notice of the amount of the Obligations outstanding at any time. Guarantor agrees that the maturity of the Obligations, or any part thereof, may be accelerated, extended, modified, amended, or renewed from time to time or any other indulgence may be granted with respect thereto by Lender at its will or as may be agreed by Borrower without notice to or further consent by Guarantor, at any time or times.

5. Guarantor agrees that: (i) no renewal, extension, modification, consolidation, or rearrangement of or any other indulgence, forbearance or compromise with respect to the Obligations, or any part thereof; (ii) no increase in the principal amount thereof; (iii) no increase or reduction of the rate of interest thereon; (iv) no release, withdrawal, substitution, surrender, subordination, exchange, deterioration, waste or other impairment of any security or collateral or other guaranty now or hereafter held by Lender for payment of the Obligations, or of any part thereof; (v) no release of Borrower, any co-guarantor, or of any other person primarily or secondarily liable on the obligations, or any part thereof; and (vi) no delay or omission or lack of diligence or care in exercising any right or power with respect to the Obligations or any security or collateral therefor or guaranty thereof or under this Guaranty shall in any manner impair, diminish or affect the rights of Lender or the Obligations and the liability of Guarantor hereunder. Guarantor specifically agrees that it shall not be necessary or required, and that Guarantor shall not be entitled to require, that Lender mitigate damages (except to the extent required under the Loan Documents), or file suit or proceed to obtain or assert a claim for personal judgment against Borrower for the Obligations, or make any effort at collection of the Obligations from Borrower, or foreclose against or seek to realize upon any security or collateral now or hereafter existing for the Obligations, or file suit or proceed to obtain or assert a claim for personal judgment against any other party (whether maker, guarantor, endorser or surety) liable for the Obligations, or make any effort at collections of the Obligations from any such other party, or exercise or assert any other right or remedy to which Lender is or may be entitled in connection with the Obligations or any security or collateral or other guaranty therefor, or assert or file any claim against the assets or estate of Borrower or any other guarantor or other person liable for the Obligations, or any part thereof, before or as a condition of enforcing the liability of Guarantor under this Guaranty or requiring payment of the Obligations by Guarantor hereunder, or at any time thereafter. Guarantor expressly waives any right to the benefit of or to require or control application of any security or collateral or the proceeds of any security or collateral now existing or hereafter obtained by Lender as security for the Obligations, or any part thereof, and agrees that Lender shall have no duty insofar as Guarantor is concerned to apply upon any of the Obligations any monies, payments or other property at any time received by or paid to or in the possession of Lender, except as Lender shall determine in its sole discretion. Except as specifically provided herein, Guarantor specifically agrees that Guarantor shall not have any recourse or action against Lender by reason of any action Lender may take or omit to take in connection with the Obligations, the collection of any sums or amounts herein mentioned, or in connection with any security or collateral or any other guaranty at any time existing therefor.

6. Guarantor agrees to each of the terms, provisions, and conditions of the instruments evidencing the loan to Borrower and of any renewal, modification, consolidation, or rearrangement instruments or other agreements which may have been or may hereafter be executed by Borrower

from time to time evidencing or in connection with the Obligations or any part thereof, and agrees that Guarantor's liability hereunder shall in no manner be affected, reduced, impaired or released by reason of any term, provision or condition of any such note or other agreement or by the failure, refusal or omission of Lender to enforce or observe any of same or any forbearance or compromise made by Lender or any action taken or omitted to be taken by Lender pursuant thereto or in connection therewith. Guarantor agrees that the provisions of this Paragraph shall survive any exercise of the power of sale granted in any instrument securing the Obligations, any foreclosure of the liens created by any of the instruments securing the Obligations, any conveyance in lieu of any such foreclosure, the repayment of the Obligations, and the discharge and release of all liens, rights, and interests securing payment of the Obligations.

7. Guarantor absolutely and unconditionally covenants and agrees that: (i) in the event that Borrower does not or is unable to pay or perform the Obligations for any reason including, without limitation, liquidation, dissolution, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment or other similar proceedings affecting the status, composition, identity, existence, assets or obligations of Borrower, or the disaffirmance or termination of any of the Obligations in or as a result of any such proceedings; and/or (ii) if all or any part of the Obligations (or any instrument or agreement made or executed in connection therewith) is for any reason found to be invalid, illegal, unenforceable, uncollectible or legally impossible, for any reason whatsoever (including, without limiting the generality of the foregoing, upon the grounds that the payment and/or performance of the Obligations is ultra vires or otherwise without authority, may violate applicable usury laws, is subject to valid defenses, claims or offsets of Borrower, or any instrument evidencing any of the Obligations is forged or otherwise irregular), then in any such case Guarantor shall pay and perform the Obligations as herein provided and that no such occurrence shall in any way diminish or otherwise affect Guarantor's obligations hereunder. All indebtedness of Borrower to Guarantor, whether now existing or hereafter arising (including indebtedness arising from this Guaranty) is hereby subordinated to the Obligations and all liens or security interest held by Guarantor shall be subordinate to liens and security interest of Lender in all collateral securing the Obligations.

8. Should the status, composition, structure or name of Borrower change, including, but not limited to, by reason of a merger, dissolution, consolidation or reorganization, this Guaranty shall continue and also cover the indebtedness and Obligations of Borrower under the new status, composition structure or name according to the terms hereof. If Borrower is a general or limited partnership, no termination of said partnership, nor withdrawal therefrom or termination of any ownership interest therein owned, by any general or limited partner of such partnership shall alter, limit or modify Guarantor's obligations set forth in this Guaranty or otherwise affect this Guaranty in any manner whatsoever, all of which obligations of Guarantor shall remain in effect as herein written.

9. In the event any payment from Borrower to Lender is held to constitute a preference under the bankruptcy laws, or if for any other reason Lender is required to refund such payment or pay the amount thereof to any other party, such payment by Borrower to Lender shall not constitute a release of Guarantor from any liability hereunder, but Guarantor agrees to pay such amount to Lender upon demand and this Guaranty shall continue to be effective or shall be reinstated, as the case may be, to the extent of any such payment or payments.

10. All payments made upon the Obligations at any time shall be deemed to have been paid by Borrower unless express notice in writing is given to Lender at the time of payment by Guarantor that Lender has been paid by Guarantor. The payment by Guarantor of any amount pursuant to this Guaranty shall not in anywise entitle Guarantor to any right, title, or interest

(whether by way of subrogation or otherwise) in and to any of the Obligations or any proceeds thereof, or any security or collateral therefor, unless and until the full amount owing to Lender on the Obligations has been fully paid, but when the same has been fully paid, Guarantor shall be subrogated as to any payments made by it to the rights of Lender as against Borrower and/or any endorsers, sureties or other guarantors of the Obligations.

11. Guarantor waives (a) marshaling of assets and liabilities, (b) sale in inverse order of alienation, and (c) all defenses given to sureties or guarantors at law or in equity, including any rights under (i) Rule 31 of the Texas Rules of Civil Procedure, as amended, and (ii) Section 17.001 and Chapter 34 of the Texas Civil Practice & Remedies (except rights under Section 34.004), other than actual payment of the indebtedness and performance of the actions constituting the Obligations. The failure by Lender to file or enforce a claim against the estate (either in administration, bankruptcy, or other proceeding) of Borrower or any other person primarily or secondarily liable for the Obligations or of any other or others shall not affect the liability of Guarantor hereunder.

12. This Guaranty is intended to be an absolute and unconditional guaranty of payment and not of collection for and shall inure to the benefit of Lender and each and every other person who shall from time to time be or become the owner or holder of any of the Obligations, and each and every reference herein to Lender shall also include and refer to each and every successor or assignee of Lender at any time holding or owning any part of or interest in any part of the Obligations. This Guaranty shall be transferable by Lender, it being understood and stipulated that upon the assignment or transfer by Lender of any of the Obligations (or any part thereof or interest therein thus transferred or assigned by Lender), such transferee shall also, unless provided otherwise by Lender in its assignment, have and may exercise all the rights granted to Lender under this Guaranty to the extent of the part of or interest in the Obligations thus assigned or transferred to said person. The Guarantor expressly waives notice of transfer or assignment of the Obligations, or any part thereof, or of the rights of Lender hereunder.

13. If any of the following events shall occur or be continuing, then an event of default under this Guaranty shall have occurred:

(a) An event of default occurs under the terms of the Obligations and continues beyond any time provided therein for the cure of such default;

(b) If Guarantor defaults in the performance or observance of any agreement, covenant, term or condition contained herein;

(c) If (i) Guarantor shall apply for or consent in writing to the appointment of a receiver, trustee or liquidator of Guarantor, or (ii) Guarantor shall file a voluntary petition in bankruptcy, or admit in writing Guarantor's inability to pay its or his debts as they come due, or (iii) Guarantor shall make a general assignment for the benefit of creditors, or (iv) Guarantor shall file a petition or answer seeking reorganization or rearrangement with creditors or taking advantage of any insolvency law, or (v) Guarantor shall file an answer admitting the material allegations of a petition filed against it or him in any bankruptcy, reorganization, insolvency or similar proceeding, or (vi) an order, judgment or decree shall be entered by any court of competent jurisdiction, or by any other duly authorized authority, on the application of a creditor or otherwise, adjudicating Guarantor as bankrupt or insolvent or approving a petition seeking reorganization of Guarantor or appointing a receiver, trustee or liquidator of all or any substantial part of the assets of Guarantor and if such action is involuntary and is not dismissed within 60 days from the filing thereof, or

(v) an order, judgment or decree shall continue unstayed and in effect for any period of 30 consecutive days;

(d) If Guarantor is an entity, the liquidation, dissolution, merger, or consolidations of such entity; or

(e) If an individual Guarantor dies (in which event this Guaranty shall be binding upon such Guarantor's estate, legal representatives, and heirs); provided, however, the death of such Guarantor shall not be deemed an event of default unless and until 60 days have elapsed after the last day for filing a claim in such person's estate; provided further, prior to that 60th day, (x) the executor, administrator, or the court administering the estate has not allowed and/or approved the claim of Lender; or (y) all of the distributees of such estate or part thereof (by an instrument approved in form and substance by Lender) either (i) jointly and severally assuming all of such deceased Guarantor's obligations hereunder, or (ii) additionally securing the payment of the Obligations (but without any personal liability on such distributee's part) by pledging, mortgaging, or otherwise creating a first lien on a portion of the assets of such estate valued by a qualified appraiser approved by Lender, at not less than the amount of the Obligations.

Upon the occurrence of an event of default, Lender shall give Guarantor notice, simultaneously with the giving of notice to Borrower as provided in the Loan Agreement, and if such default is not cured within any applicable right to cure period provided in the Loan Agreement, Lender may, at its option, declare the Obligations to be, and the Obligations shall thereupon be and become forthwith, due and payable together with the interest accrued thereon under the terms of, and with the effect provided in, the Obligations and this Guaranty.

14. Except as otherwise provided herein or required by applicable law, any notice or communication required or permitted hereunder to be given to either Guarantor or Lender pursuant to the terms hereof shall be given in writing, sent by (i) personal delivery, or (ii) expedited delivery service with proof of delivery, or (iii) United States mail, postage prepaid, registered or certified mail, return receipt requested, or (iv) facsimile (provided that such facsimile is confirmed by expedited delivery service or by United States mail in the manner previously described), addressed to Guarantor or Lender at the address as contained herein or to such other address as either party shall have designated by written notice, sent in accordance with this paragraph at least 30 days prior to the date of the giving of such notice. Except as provided otherwise, any such notice or communication shall be deemed to have been given and received either at the time of personal delivery, or in the case of mail, as of the date 3 business days after deposit in an official depository of the United States mail, or in the case of either delivery service or facsimile, upon receipt; provided, however, that the time and manner of delivery for all notices given by Lender to Guarantor in connection with Lender's exercise of its remedies set forth in Section 3.4 or Article V of the Deed of Trust and Security Agreement of even date executed by Borrower for the benefit of Lender, shall be effective on the date of deposit if mailed and governed by Chapter 51 of the Texas Property Code and Chapter 9 of the Texas Business and Commerce Code (as the same may be hereafter amended or succeeded). To the extent actual receipt is required, rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was received shall be deemed to be receipt of the notice, demand, request or other communication sent.

15. The obligations of each guarantor of the Loan, if more than one, shall be several. Lender may pursue any legal, equitable, or contractual remedies against any one or more of the co-guarantors, or less than all, without impairing the rights of Lender against the other co-guarantors. Lender may compromise with any co-guarantor for such sums or sum as it may deem appropriate.

and release any co-guarantor from all further liability to Lender for the Obligations without (a) impairing the right of Lender to pursue any legal, equitable, or contractual remedies for the recovery of the balance of the Obligations from the other co-guarantors not so released, or (b) affecting or releasing the other co-guarantors of their liability to the Lender for the Obligations; provided, however, it is agreed that such compromising and release by Lender shall not impair the rights and obligations of the co-guarantors as among themselves.

16. No provision or term within any instrument evidencing any of the Obligations shall ever be construed to create a contract by Guarantor to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the maximum interest rate permitted to be charged by the applicable laws of the State of Texas or the United States of America. Guarantor shall never be liable for interest in excess of the maximum rate that may lawfully be charged under the laws of the State of Texas or the United States of America, and this provision shall control over any other provision of this Guaranty, the Note referred to herein or any other instrument evidencing, related to or securing the Obligations which may be in apparent conflict herewith. It is hereby expressly stipulated and agreed to be the intent of both Guarantor and Lender to at all times comply with the usury and all other laws relating to this Guaranty and the instruments evidencing or securing the Obligations, now or hereafter in effect in the State of Texas and the United States of America, and any subsequent judicial interpretation thereof to the extent that same are made applicable thereto.

17. Each Guarantor warrants and represents that (a) any and all balance sheets, net worth statements, and other financial data which have heretofore been given to Lender with respect to such Guarantor fairly and accurately present the financial condition of such Guarantor as of the date thereof and, since the date thereof, there has been no material adverse change in the financial condition of such Guarantor, and (b) except as may be set out on any exhibit attached hereto, (i) there are no legal proceedings, material claims or demands pending against, or to the knowledge of such Guarantor threatened against, such Guarantor or any such Guarantor's assets, (ii) such Guarantor is not in material breach or material default of any legal requirement, and (iii) no event (including specifically such Guarantor's execution and delivery of this Guaranty) has occurred which, with the lapse of time or action by a third party, could result in such Guarantor's material breach or material default under any legal requirement.

18. Guarantor shall comply with all provisions in the Loan Agreement that are applicable to Guarantor and shall furnish to Lender financial information as required in the Loan Agreement, including current financial reports and statements setting out in reasonable detail Guarantor's financial situation, and containing such information as Lender may reasonably request, and prepared in accordance with generally accepted accounting practices or in other form acceptable to Lender, including, but not limited to, complete and accurate financial and cash flow statements. As soon as available, Guarantor shall furnish Lender with a copy of its tax return filed with the Internal Revenue Service.

19. The rights of Lender are cumulative and shall not be exhausted by its exercise of any of its rights hereunder or otherwise against Guarantor or by any number of successive actions until and unless all indebtedness constituting the Obligations have been paid, all other Obligations have been performed, including each of the obligations of Guarantor hereunder.

20. This Guaranty shall be in addition to and cumulative of, and not in substitution, novation or discharge of, any and all prior or contemporaneous guaranty agreements by Guarantor in favor of Lender or assigned to Lender by others.

21. This Guaranty shall be deemed to have been made under and shall be governed by the laws of the State of Texas in all respects and shall not be waived, altered, modified, or amended as to any of its terms or provisions except in writing duly signed by Lender and Guarantor.

22. Guarantor is familiar with, and has independently reviewed the books and records regarding the financial condition of Borrower and is familiar with the value of any and all collateral intended to be created as security for the payment of the Obligations; however, Guarantor is not relying on such financial condition or the collateral as an inducement to enter into this Guaranty. Guarantor hereby specifically waives any requirement that Lender communicate any facts that might materially increase the risk of Guarantor and releases Lender from any duty to disclose such facts concerning Borrower which Guarantor may not have discovered in its investigation of Borrower. Guarantor acknowledges and agrees that neither Lender, nor any other party has made any representation, warranty or statement to Guarantor in order to induce Guarantor to execute this Guaranty.

23. Guarantor acknowledges and agrees that this Guaranty accurately represents and contains the entire agreement between Guarantor and Lender with respect to the subject matter hereof, that Guarantor is not relying, in the execution of this Guaranty, on any representations (whether written or oral) made by or on behalf of Lender except expressly set forth in this Guaranty, and that any and all prior statements and/or representations made by or on behalf of Lender to Guarantor (whether written or oral) in connection with the subject matter hereof are merged herein.

24. Guarantor acknowledges that Guarantor has been afforded the opportunity to receive the advice of legal counsel of its own choice in connection with the preparation and negotiation of this Guaranty, and Guarantor fully understands the implications and ramifications of the agreements herein made by Guarantor.

25. This Guaranty shall bind the heirs, personal representatives, successors and assigns of Guarantor and shall inure to the benefit of all transferees, credit participants, assignees, and/or endorsees of Lender. The masculine and neuter genders used herein shall each include the masculine, feminine and neuter genders and the singular or plural numbers used herein shall each include the other. The words "person" and "entity" shall include individuals, corporations, partnerships, joint ventures, associations, joint stock companies, trusts and unincorporated organizations.

26. If any provision of this Guaranty is held to be illegal, invalid, avoidable, or unenforceable under present or future laws effective during the term of this Guaranty, such provisions shall be fully severable and this Guaranty shall be construed and enforced as if such illegal, invalid, avoidable, or unenforceable provision had never comprised a part of this Guaranty, and the remaining provisions of this Guaranty shall, to the extent permitted by law, remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision. If the obligations of Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid, or unenforceable on account of the amount of Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by Guarantor or Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being Guarantor's "Maximum Liability"). This paragraph with respect to the Maximum Liability of Guarantor is intended solely to preserve the rights of Lender hereunder to the maximum extent not subject to avoidance under applicable law, and neither Guarantor nor any other person or entity shall have any right or claim under this paragraph with respect to the Maximum Liability, except to the extent necessary so that the

obligations of Guarantor hereunder shall not be rendered voidable under applicable law. Guarantor agrees that the Obligations may at any time and from time to time exceed the Maximum Liability of Guarantor, without impairing this Guaranty or affecting the rights and remedies of Lender hereunder. Nothing in this paragraph shall be construed to increase Guarantor's obligations hereunder beyond its Maximum Liability.

27. GUARANTOR VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG GUARANTOR AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING DESCRIBED HEREIN OR IN THE OTHER LOAN DOCUMENTS.

28. This Guaranty may be executed by email or facsimile (faxed) signatures and in several or separate counterparts, each of which shall be an original, but all of which, taken together, shall be deemed to constitute one and the same agreement. Production any counterpart other than the one to be enforced shall not be required.

[Remainder of Page Intentionally Left Blank]

**SIGNATURE PAGE TO
UNLIMITED GUARANTY AGREEMENT**

IN WITNESS WHEREOF, the undersigned has duly executed this Guaranty as of the date of the acknowledgment(s) set forth below, to be effective for all purposes, however, as of the date first above written.

Address:
11131 McCracken Circle, Suite A
Cypress, Texas 77429

GUARANTOR:
GULF UTILITY SERVICE, INC.

By: _____
Charles G. Peterson, President

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on the ____ day of _____, 2019,
by Charles G. Peterson, President of GULF UTILITY SERVICE, INC., a Texas corporation.

NOTARY PUBLIC, STATE OF TEXAS

LENDER:

ALLEGIANCE BANK
8727 W. Sam Houston Parkway North
Houston, Texas 77040
Attn: Fernando D. Parra

**JURY TRIAL WAIVER,
ARBITRATION AGREEMENT,
IMAGING WAIVER,
AND CLASS ACTION WAIVER**

DATE: March 13, 2019

BORROWER: NERRO SUPPLY, LLC, a Texas limited liability company

GUARANTOR(S): GREGORY P. PAPPAS, BLACKSWAN WATER RESOURCES, LLC, a Texas limited liability company, and GULF UTILITY SERVICE, INC., a Texas corporation

LENDER: ALLEGIANCE BANK

LOAN: \$1,200,000.00 loan evidenced by Promissory Note of even date herewith, executed by Borrower and payable to the order of Lender, and all renewals, increases, extensions, modifications and substitutions thereof

DISPUTE RESOLUTION. THIS AGREEMENT CONTAINS A JURY TRIAL WAIVER, ARBITRATION CLAUSE, IMAGING WAIVER, AND A CLASS ACTION WAIVER. READ IT CAREFULLY.

In consideration of the premises and the mutual agreements herein, the undersigned agree as follows:

1. **JURY TRIAL WAIVER.** As permitted by applicable law, **each party waives their respective rights to a trial before a jury in connection with any Dispute (hereinafter defined), and Disputes shall be resolved by a judge sitting without a jury.** If a court determines that this provision is not enforceable for any reason and at any time prior to trial of the Dispute, but not later than 30 days after entry of the order determining this provision is unenforceable, any party shall be entitled to move the court for an order compelling arbitration and staying or dismissing such litigation pending arbitration (the "Arbitration Order").

2. **ARBITRATION AGREEMENT.**

(a) If a claim, dispute, or controversy arises between us with respect to this Agreement, related agreements, or any other agreement or business relationship between any of us, whether or not related to the subject matter of this Agreement (all of the foregoing, a "Dispute"), and only if a jury trial waiver is not permitted by applicable law or ruling by a court, any of us may require that the Dispute be resolved by binding arbitration before a single arbitrator at the request of any party. By agreeing to arbitrate a Dispute, each party gives up any right that party may have to a jury trial, as well as other rights that party would have in court that are not available or are more limited in arbitration, such as the rights to discovery and to appeal.

(b) Arbitration shall be commenced by filing a petition with, and in accordance with the applicable arbitration rules of, JAMS or National Arbitration Forum (the "Administrator") as selected by the initiating party. If the parties agree, arbitration may be commenced by appointment of a licensed attorney who is selected by the parties and who agrees to conduct the arbitration without an

Administrator. Disputes include matters (i) relating to a deposit account, application for or denial of credit, enforcement of any of the obligations we have to each other, compliance with applicable laws and/or regulations, performance or services provided under any agreement by any party, (ii) based on or arising from an alleged tort, or (iii) involving either of our employees, agents, affiliates, or assigns of a party. **However, Disputes DO NOT include the validity, enforceability, meaning, or scope of this arbitration provision and such matters may be determined only by a court. If a third party is party to a Dispute, we each will consent to including the third party in the arbitration proceeding for resolving the Dispute with the third party.** Venue for the arbitration proceeding shall be at a location determined by mutual agreement of the parties or, if no agreement, in Houston, Texas. No act to take or dispose of any collateral securing the Loan shall constitute a waiver of this Agreement or be prohibited by this Agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right concerning any collateral securing the Loan, including any claim to rescind, reform, or otherwise modify any agreement relating to the collateral securing the Loan, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Notwithstanding anything to the contrary herein, in the event Lender invokes a power of sale under a deed of trust, or seeks to obtain a writ of attachment, injunctive relief, a temporary restraining order, or impose a receiver, or exercise rights to take or dispose of personal property, or any other measure to take or dispose of the collateral securing the Loan, Borrower shall not be required to arbitrate its opposition or defense of such action and may seek an injunction or such equitable or other relief as Borrower finds necessary to protect its interest in the collateral securing the Loan. If the Federal Arbitration Act is inapplicable to any such claim or controversy for any reason, such arbitration shall be conducted pursuant to the Texas General Arbitration Act and in accordance with this Arbitration Agreement and Commercial Arbitration Rules of the American Arbitration Association.

(c) After entry of an Arbitration Order, the non-moving party shall commence arbitration. The moving party shall, at its discretion, also be entitled to commence arbitration but is under no obligation to do so, and the moving party shall not in any way be adversely prejudiced by electing not to commence arbitration. The arbitrator: (i) will hear and rule on appropriate dispositive motions for judgment on the pleadings, for failure to state a claim, or for full or partial summary judgment; (ii) will render a decision and any award applying applicable law; (iii) will give effect to any limitations period in determining any Dispute or defense; (iv) shall enforce the doctrines of compulsory counterclaim, res judicata, and collateral estoppel, if applicable; (v) with regard to motions and the arbitration hearing, shall apply rules of evidence governing civil cases; and (vi) will apply the law of the state specified in the agreement giving rise to the Dispute. Filing of a petition for arbitration shall not prevent any party from (i) seeking and obtaining from a court of competent jurisdiction (notwithstanding ongoing arbitration) provision or ancillary remedies including but not limited to injunctive relief, property preservation orders, foreclosure, eviction, attachment, replevin, garnishment, and/or the appointment of a receiver, (ii) pursuing non-judicial foreclosure, or (iii) availing itself of any self-help remedies such as set off and repossession. The exercise of such rights shall not constitute a waiver of the right to submit any Dispute to arbitration.

(d) Judgment upon an arbitration award may be entered in any court having jurisdiction except that if the arbitration award exceeds \$4,000,000.00, any party shall be entitled to a de novo appeal of the award before a panel of three arbitrators; provided, however, that nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 USC §

91, Texas Finance Code Section 59.007, or any other protection provided banks by the laws of Texas or the United States. To allow for such appeal, if the award (including Administrator, arbitrator, and attorney's fees and costs) exceeds \$4,000,000.00, the arbitrator will issue a written, reasoned decision supporting the award, including a statement of authority and its application to the Dispute. A request for de novo appeal must be filed with the arbitrator within 30 days following the date of the arbitration award; if such a request is not made within that time period, the arbitration decision shall become final and binding. On appeal, the arbitrators shall review the award de novo, meaning that they shall reach their own findings of fact and conclusions of law rather than deferring any manner to the original arbitrator. Appeal of any arbitration award shall be pursuant to the rules of the Administrator, or, if the Administrator has no such rules, then the JAMS arbitration appellate rules shall apply. The statutes of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes.

(e) Arbitration under this provision concerns a transaction involving interstate commerce and shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 *et seq.* This Arbitration provision shall survive any termination, amendment, or expiration of this Agreement. If the terms of this provisions vary from the Administrator's rules, this arbitration provision shall control. If the Federal Arbitration Act is inapplicable to any such claim or controversy for any reason, such arbitration shall be conducted pursuant to the Texas General Arbitration Act and in accordance with this Agreement and Commercial Arbitration Rules of the American Arbitration Association.

3. **IMAGING WAIVER.** The undersigned understand and agree that (i) Lender's document retention policy involves the imaging of executed loan documents and the destruction of the paper originals, and (ii) the undersigned waive any right that they may have to claim that the imaged copies of the documents which evidence, or relate to, the Loan are not originals.

4. **CLASS ACTION WAIVER. EACH PARTY WAIVES THE RIGHT TO LITIGATE IN COURT OR ARBITRATE ANY CLAIM OR DISPUTE AS A CLASS ACTION, EITHER AS A MEMBER OF A CLASS OR AS A REPRESENTATIVE, OR TO ACT AS A PRIVATE ATTORNEY GENERAL.**

5. **RELIANCE.** Each party (i) certifies that no one has represented to such party that the other party would not seek to enforce jury and class action waivers in the event of suit, and (ii) acknowledges that it and the other party have been induced to enter into this Agreement by, among other things, the mutual waivers, agreements, and certifications in this Section.

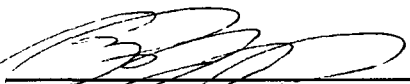
6. **COUNTERPARTS.** This Agreement may be executed in multiple counterparts, and each counterpart executed by any party shall be deemed an original and shall be binding upon the person or entity executing the same, irrespective of whether any other person has executed that or any other counterpart of this Agreement. Production of any counterpart other than the one to be enforced shall not be required.

(Remainder of Page Intentionally Left Blank)

**SIGNATURE PAGE TO JURY TRIAL WAIVER, ARBITRATION AGREEMENT,
IMAGING WAIVER, AND CLASS ACTION WAIVER**

SIGNATURE OF BORROWER:

NERRO SUPPLY, LLC

By: 


Gregory P. Pappas, Manager

SIGNATURE OF EACH GUARANTOR:



GREGORY P. PAPPAS

BLACKSWAN WATER RESOURCES, LLC

By: 

Gregory P. Pappas,
Chairman of the Board

GULF UTILITY SERVICE, INC.

By: _____
Charles G. Peterson, President

SIGNATURE OF LENDER:

ALLEGIANCE BANK

By: _____
Name: _____
Title: _____

CHERNOSKY, SMITH, RESSLING & SMITH, PLLC

ATTORNEYS AT LAW
4646 WILD INDIGO
SUITE 110
HOUSTON, TEXAS 77027

R. STEPHEN RESSLING
Board Certified Commercial and Residential Real Estate
Texas Board of Specialization

Telephone (713) 622-7935, Ext. 219
Direct: (713) 800-8612
Facsimile (713) 622-1026
EMail SRESSLING@CSRSLAW.COM

March 13, 2019

NOTICE REGARDING LENDER'S ATTORNEY

Re: \$1,200,000.00 Loan from ALLEGIANCE BANK (the "Lender") to NERRO SUPPLY, LLC, a Texas limited liability company (the "Borrower")

The following is to confirm and disclose the relationship between this firm, which has prepared the legal documents for this transaction, and the Lender.

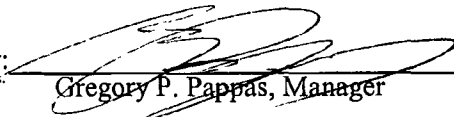
This firm has acted only as legal counsel to the Lender and has not, in any manner, undertaken to assist or render legal advice to you with respect to this transaction. This firm represents only the Lender and not any other party involved in this transaction. All parties to this transaction have the right to be represented by their own attorney who should review all the legal documents prepared in this matter and have such attorney present at any of the loan transaction meetings and closings.

Please sign below to indicate that you have been notified and understand your right to independent legal counsel and that this firm represents the interest of only the Lender in this transaction.

EXECUTED effective as of the date first above written.

BORROWER:

NERRO SUPPLY, LLC

By: 
Gregory P. Pappas, Manager

We hereby certify that this is a true and correct copy of the original instrument

ALAMO TITLE COMPANY

By: _____

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

DEED OF TRUST AND SECURITY AGREEMENT

THE STATE OF TEXAS

§
§
§

COUNTY OF HARRIS

This Deed of Trust and Security Agreement ("Deed of Trust") is entered into effective as of March 13, 2019, from NERRO SUPPLY, LLC, a Texas limited liability company (the "Grantor," whether one or more), to RAMON A. VITULLI, III, TRUSTEE (the "Trustee"), for the benefit of ALLEGIANCE BANK (the "Beneficiary").

NOW, THEREFORE, in consideration of the sum of \$10.00, and other good and valuable consideration, including the uses, purposes and trusts hereinafter set forth, the receipt and sufficiency of which are acknowledged, Grantor has GRANTED, SOLD and CONVEYED, and by these presents GRANTS, SELLS and CONVEYS to Trustee, and his substitutes or successors, (a) all of the certain real property situated in Harris County, Texas, described in the attached **Exhibit "A"** (sometimes called the "Land"); (b) all rights, titles, interests, estates, reversions and remainders now owned or hereafter acquired by Grantor in and to the Land; (c) all buildings and improvements now or hereafter located on the Land; (d) all rights, titles and interests now owned or hereafter acquired by Grantor in and to all easements, streets and rights-of-way of every kind and nature next to or adjoining the Land, and all public or private utility connections, appurtenances, servitudes, rights, ways, privileges and prescriptions thereto; (e) all rights, titles and interests of Grantor in and to any and all licenses, permits, franchises, certificates, utility commitments and/or reservations, wastewater capacity reservations, sewage treatment capacity, waste capacity, utilities and other rights and privileges issued by any person or entity relating directly or indirectly to the Land or improvements; (f) all equipment and fixtures (collectively, the "Fixtures") that are now owned or hereafter acquired by Grantor and now or hereafter permanently affixed to the Land and used or usable for any present or future operation of any building or buildings now or hereafter located on the Land, included without limitation, all rights, titles and interests of Grantor in and to any Fixtures that may be subject to any title retention or security agreement superior in lien or security interest to the lien or security interest of this Deed of Trust; (g) all rights, titles and interests of Grantor in and to all timber to be cut from the Land and all minerals in, under, and upon, produced and to be produced from the Land; (h) all rights, titles and interests of Grantor now owned or hereafter acquired in and to the following: (1) all contracts, subcontracts, plans and specifications relating to the improvements; (2) all proceeds arising from or by virtue of the sale, lease or other disposition of any of the real property described herein; (3) all proceeds (including premium refunds) payable or to be payable under each policy of insurance relating to the Land or the improvements; and (4) all proceeds arising from the taking of all or any part of the Land or any rights appurtenant thereto, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law, or by right of eminent domain, or by private or other purchase in lieu thereof; and (i) without limiting the foregoing, any and all rights, royalties, rents, revenues, benefits, leases, contracts, tenements, hereditaments and appurtenances now owned or hereafter acquired by Grantor appertaining to, generated from, arising out of or belonging to any of the foregoing ((h) and (i) being collectively the "Personalty") and (all of the foregoing, (a) through (i) inclusive, collectively, the "Mortgaged Property"). Notwithstanding the foregoing, at any time that any improvements on the Mortgaged Property are located in a special flood hazard area (Zone A or V) designated by the Administrator of the Federal Emergency Management Agency (FEMA) any tangible personal property included

in the Mortgaged Property is limited to only those items specifically covered (now or hereafter) by Coverage A of the standard flood insurance policy issued in accordance with the National Flood Insurance Program or under equivalent coverage similarly issued by a private insurer to satisfy the National Flood Insurance Act (as amended).

TO HAVE AND TO HOLD the Mortgaged Property to Trustee, his successors in this trust and his assigns, forever, and Grantor binds Grantor, his respective heirs, legal representatives, successors, and assigns, to warrant and forever defend the Mortgaged Property to Trustee, his successors and assigns, forever, against the claim or claims, of all persons whomsoever claiming or to claim the same or any part thereof, subject to the exceptions in the Loan Policy of Title Insurance provided by Grantor to Beneficiary.

ARTICLE I: INDEBTEDNESS SECURED

1.1 This conveyance is made in TRUST to secure payment of all of the following obligations (collectively called the "Indebtedness"):

A. Promissory Note of even date herewith (the "Note"), in the principal amount of \$1,200,000.00, executed by Grantor and payable to the order of Beneficiary, bearing interest and being payable as therein provided, together with all modifications, renewals, rearrangements and extensions of the Note.

B. Performance of all obligations of Grantor under any instrument or agreement between Grantor and Beneficiary, or among Grantor, Beneficiary and any third party, pertaining to or securing the payment of the Note, including but not limited to the Loan Agreement ("Loan Agreement") of even date herewith, by and between Grantor and Beneficiary, together with all funds advanced by Beneficiary to or for the benefit of Grantor pursuant hereto or any other document securing or relating to the Indebtedness.

C. All other debts, obligations and liabilities of Grantor to Beneficiary of whatever kind or character, whether now existing or hereafter arising, secured or unsecured, direct or indirect, fixed or contingent, primary or secondary, joint or several or both, including, without limitation, all present and future debts, obligations and liabilities of Grantor (i) as principal, surety, endorser, guarantor, accommodation party or otherwise, (ii) arising by operation of law or otherwise, (iii) as a member of any partnership, joint venture, firm, trust or other association, or (iv) payable to or in favor of third parties and hereafter acquired by Beneficiary with or without the knowledge, consent or insistence of Grantor. The payment of all such debts, obligations and liabilities of Grantor shall not terminate this Deed of Trust unless the lien is released by Beneficiary, it being contemplated that Grantor may from time to time become additionally indebted to Beneficiary, all of which indebtedness shall be secured by this Deed of Trust until the lien hereof is released by Beneficiary.

1.2 Provided, however, the term "Indebtedness" as defined in Section 1.1 above, shall in no event include, nor shall this Deed of Trust secure, the payment of any installment loans or open-end lines of credit established under Chapter 342, or Chapter 346 of the Texas Finance Code.

1.3 The Indebtedness shall be payable at the address specified in the Note until Beneficiary gives written notice to Grantor designating another place of payment. Unless otherwise provided in the instrument evidencing any of the Indebtedness, all portions of the Indebtedness shall bear interest at the maximum non-usurious rate allowed by Applicable Law (as defined below).

1.4 All payments received by Beneficiary, however designated, shall be applied to the principal or interest of the Indebtedness or to expenses provided for herein, or any combination of the foregoing, as directed by Beneficiary in accordance with the provisions of the Note.

ARTICLE II: COVENANTS OF GRANTOR

2.1 In order to better secure the payment of the Indebtedness, Grantor covenants, represents, warrants and agrees with Beneficiary and Trustee as follows:

A. Grantor will pay all of the Indebtedness, together with the interest and other appurtenant charges thereon, when the same shall become due, in accordance with the terms of the Note, or other instruments evidencing the Indebtedness or evidencing any renewal or extension of the same, or any part thereof.

B. Grantor represents and warrants that Grantor has good and indefeasible title in fee simple to the Mortgaged Property which is free from encumbrance superior to the liens and security interests hereby created, unless otherwise herein provided, and has the full right and authority to make this conveyance. Grantor agrees to maintain and preserve Grantor's legal existence and all related rights, franchises and privileges. If Grantor is an entity other than an individual, Grantor shall not amend its Articles of Organization or change its name or identity without Beneficiary's prior written consent, which consent shall not be unreasonably withheld, delayed, or conditioned; and in such event, Grantor agrees to execute and deliver to Beneficiary such instruments and assurances as Beneficiary may reasonably require and pay all reasonable fees and expenses incurred by Beneficiary in connection therewith. For purposes hereof, the term "Articles of Organization" shall mean (i) Grantor's Articles of Incorporation or Certificate of Formation and By-Laws if Grantor is a corporation, (ii) Grantor's Partnership Agreement or Joint Venture Agreement if Grantor is a general partnership or joint venture, (iii) Grantor's Certificate of Limited Partnership or Certificate of Formation and Limited Partnership Agreement if Grantor is a limited partnership, (iv) Grantor's Trust Agreement if Grantor is a trust, or (v) Grantor's Articles of Organization or Certificate of Formation and Company Agreement if Grantor is a limited liability company.

C. Grantor shall promptly obtain and deliver to Beneficiary copies of insurance policies with premiums paid providing extended coverage for all buildings and other property covered by this Deed of Trust against personal injury and death, loss by fire and such other hazards, casualties, and contingencies and such other risks or hazards as are presently included in the Causes of Loss of Special form (tornado) (ISO Form CP 1030 or equivalent) and such other insurable hazards as Beneficiary may reasonably require, all in amounts approved by Beneficiary not exceeding 100% of the full replacement cost of all improvements constituting a part of the Mortgaged Property, such insurance to be written on a replacement cost form promulgated by the Texas State Board of Insurance and with companies reasonably approved by Beneficiary, with (i) loss made payable to Beneficiary pursuant to the standard mortgagee clause promulgated by the Texas State Board of Insurance, without contribution; (ii) provision that (a) each policy shall not be terminated, reduced or limited regardless of any breach of the representations and agreements set forth therein, (b) no such policy shall be canceled, endorsed, or amended to any extent unless the issuer thereof shall have first given Beneficiary at least 15 days prior written notice, (c) a co-insurance clause, if any, of either 80% or 90% percent, (d) a replacement cost endorsement, (e) a waiver of subrogation clause, and (f) a maximum deductible of \$5,000.00 per loss and 2% on a named storm. If any of the improvements are situated in an area now or subsequently designated as having flood hazards, as defined by the Flood Disaster Act of 1973, as amended, flood insurance will be required in an amount equal to the replacement cost of the improvements or the maximum amount of flood insurance available, whichever

is the lesser. Grantor shall also obtain and maintain in force and effect at Grantor's expense, such liability and other insurance policies and protection as Beneficiary may from time to time reasonably require. All renewal and substitute policies of insurance shall be delivered to the office of Beneficiary, premiums paid, at least 10, but no more than 15, days before expiration of the insurance protection to be replaced by such renewal or substituted policies. In case Grantor fails to furnish copies of such policies, Beneficiary, at Beneficiary's option, may procure such insurance at Grantor's expense. In case of loss and if Grantor is in Default under this Deed of Trust, Beneficiary, at Beneficiary's option, shall be entitled to receive and retain the proceeds of the insurance policies and applying the same toward payment of the Indebtedness in such manner as Beneficiary may elect. In the event Grantor is not then in Default under this Deed of Trust, and if (i) in the reasonable judgment of Beneficiary, the Mortgaged Property can be restored within a reasonable time, and in any event 6 months prior to the maturity date of the Note, to an economic unit not less valuable than the same was prior to such insured casualty, and (ii) Beneficiary receives assurances satisfactory to Beneficiary that tenancies or other sources of revenue from the Mortgaged Property will continue in full force and effect after restoration subject only to rent abatement during the period when any leased premises are untenable, Beneficiary shall pay the same over wholly or in part to Grantor for the repair of the improvements or for the erection of new improvements in their place, or for any other purpose satisfactory to Beneficiary, but Beneficiary shall not be obligated to see to the proper application of any amounts so paid to Grantor. If the proceeds of the insurance are to be used for restoration, repair or replacement of the Mortgaged Property (hereinafter referred to as the "Work"), such proceeds shall be paid out by Beneficiary from time to time to Grantor (or, at the option of Beneficiary, jointly to Grantor and the persons furnishing labor and/or material incident to such work or directly to such persons) as the work progresses, subject to the following conditions: (a) if the cost of the Work estimated by Beneficiary shall exceed \$25,000.00, prior to the commencement thereof (other than Work to be performed on an emergency basis to protect the Mortgaged Property or prevent interference therewith), (i) an architect or engineer, reasonably approved by Beneficiary, shall be retained by Grantor (at Grantor's expense) and charged with the supervision of the Work and (ii) Grantor shall have prepared, submitted to Beneficiary and secured Beneficiary's written approval of (such approval not to be unreasonably withheld, delayed, or conditioned) the plans and specifications for such Work; (b) each request for payment by Grantor shall be made on 10 days prior written notice to Beneficiary and shall be accompanied by a certificate to be made by the architect or engineer supervising the Work (if one is required pursuant to this Paragraph), otherwise by Grantor or an executive officer of Grantor, stating, among such other matters as may be reasonably required by Beneficiary that: (i) all of the Work completed has been done in compliance with the approved plans and specifications (if any be required under this Paragraph); (ii) the sum requested is justly required to reimburse Grantor for payments by Grantor to, or is justly due to, the contractor, subcontractors, materialmen, laborers, engineers, architects or other persons rendering services or materials for the Work (giving a brief description of such services and materials); (iii) when added to all sums previously paid out by Grantor, the sum requested does not exceed the value of the Work done to the date of such certificate; and (iv) the amount of insurance proceeds remaining in the hands of Beneficiary will be sufficient on completion of the Work to pay for the same in full (giving in such reasonable detail as Beneficiary may require an estimate of the cost of such completion); (c) each request shall be accompanied by waivers of lien reasonably satisfactory in form and substance to Beneficiary covering that part of the Work for which payment or reimbursement is being requested and, if requested by Beneficiary, by a search prepared by a title company or licensed abstractor or by other evidence reasonably satisfactory to Beneficiary that there has not been filed with respect to the Mortgaged Property any mechanic's lien or other lien, affidavit, or instrument asserting any lien or any lien rights with respect to the Mortgaged Property; (d) there has not occurred any Event of Default (as defined below) since the hazard, casualty, or contingency giving rise

to payment of the insurance proceeds; (e) in the case of the request for the final disbursement, such request is accompanied by a copy of any Certificate of Occupancy or other certificate required by any Applicable Law to render occupancy of the damaged portion of the Mortgaged Property lawful; and (f) if, in Beneficiary's reasonable judgment, the amount of such insurance proceeds will not be sufficient to complete the Work (which determination may be made prior to or during the performance of the Work), Grantor shall deposit with Beneficiary, immediately upon a request therefore, an amount of money which when added to such insurance proceeds will be sufficient, in Beneficiary's reasonable judgment, to complete the Work. If, upon completion of the Work, any portion of the insurance proceeds has not been disbursed to Grantor (or one or more of the other aforesaid persons), Beneficiary may, at Beneficiary's option, disburse such balance to Grantor or apply such balance toward the payment of the Indebtedness. Nothing herein shall be interpreted to prohibit Beneficiary from (y) withholding from each such disbursement 10% (or a greater amount, if permitted by Applicable Law or required by any Legal Requirement) of the amount otherwise herein provided to be disbursed, and from continuing to withhold such sum, until the time permitted for perfecting liens against the Mortgaged Property has expired, at which time the amount withheld shall be disbursed to Grantor (or to Grantor and any person or persons furnishing labor and/or material for the Work or directly to such persons), or (z) applying at any time the whole or any part of such insurance proceeds to the curing of any Event of Default. To the extent any insurance proceeds payable to them are sufficient to pay the costs of repair and restoration of the Mortgaged Property, Grantor shall promptly commence and carry out the repair, replacement, restoration and rebuilding of any and all of the improvements damaged or destroyed so as to return same, to the extent practicable, to the same condition as immediately prior to such damage to or destruction thereof.

D. Grantor shall not permit or carry on any activity within or relating to the Mortgaged Property that is prohibited by the terms of any insurance policy covering any part of the Mortgaged Property or which permits cancellation of or increase in the premium payable for any insurance policy covering any part of the Mortgaged Property. In the event of a foreclosure of this Deed of Trust, the purchaser of the Mortgaged Property shall succeed to all the rights of Grantor, including any right to unearned premiums, in and to all policies of insurance assigned and delivered to Beneficiary pursuant to the provisions of this Deed of Trust. Regardless of the types or amounts of insurance required and approved by Beneficiary, Grantor shall assign and deliver to Beneficiary all policies of insurance that insure against any loss or damage to the Mortgaged Property, as collateral and further security for the payment of the Indebtedness.

E. Grantor will pay all taxes, fees and assessments against the Mortgaged Property, including, without limitation, all taxes in lieu of ad valorem taxes, as the same become due and payable and shall furnish proof, reasonably satisfactory in form and substance to Beneficiary, of such payment on or before January 31st of each year in which this Deed of Trust is in effect; provided, however, Grantor will not be required to pay and discharge any such assessment, tax charge, levy, lien or claim as long as (i) the legality of the same shall be contested in good faith by appropriate judicial, administrative or other legal proceedings, (ii) Grantor shall have established on its books adequate reserves with respect to such contested assessment, tax, charge, levy, lien or claim in accordance with generally accepted accounting principles, consistently applied, including any penalties, interest or additional charges accruing thereon, (iii) Grantor is not otherwise then in Default under the terms of this Deed of Trust, and (iv) Beneficiary shall be advised of the status of all actions being taken by Grantor. Grantor shall not authorize any person or entity to pay current or delinquent ad valorem taxes due or to become due on the Mortgaged Property if such person

or entity is entitled to receive a transfer of tax lien under Section 32.06 of the Texas Tax Code (as it may be amended or modified). In the event any transfer of a tax lien is executed by a tax collector pursuant to Section 32.06 of the Texas Tax Code (as it may be amended or modified) with respect to the Mortgaged Property, Grantor shall, within 10 days of the date written notice is sent from Beneficiary to Grantor, fully and finally pay the transferee of said tax lien the entirety of all principal, interest and expenses (whether or not then due and payable, or to become due and payable) owing to said transferee with respect to said transferred tax lien, and deliver proof, satisfactory in form and substance to Beneficiary, of such payment, along with a signed and notarized release of said tax lien executed by said transferee. Grantor shall not defer the collection of taxes on the Mortgaged Property, in the event deferral of such taxes is permitted under applicable law. In the event of the passage after the date of this Deed of Trust of any law by the State of Texas deducting from the Mortgaged Property for the purposes of taxation any lien thereon, or changing in any way the laws now in force for the taxation of mortgages, deeds of trust, or indebtedness secured thereby, for State or local purposes, or the manner of the operation of any such taxes so as to affect the interest of Beneficiary, then and in such event, Grantor shall bear and pay the full amount of such taxes. If Grantor fails to pay any such taxes and assessments, including, without limitation, taxes in lieu of ad valorem taxes and taxes against this Deed of Trust or the Indebtedness, Beneficiary may pay the same, together with all costs and penalties thereon, at Grantor's expense; provided, however, that if for any reason payment by Grantor of any such new or additional taxes would be unlawful or if the payment thereof would constitute usury or render the Indebtedness wholly or partially usurious under any of the terms or provisions of the Note or this Deed of Trust, or otherwise, Beneficiary may, at its option, declare the Indebtedness with all accrued interest thereon to be immediately due and payable, or Beneficiary may, at its option, pay the amount or portion of such taxes as renders the Indebtedness unlawful or usurious, in which event Grantor shall concurrently therewith pay the remaining lawful and non-usurious portion or balance of the taxes.

F. All judgments, decrees, awards or payments for injury or damage to the Mortgaged Property, or any part thereof, and all awards pursuant to proceedings or threatened proceedings for condemnation thereof, including interest thereon, are assigned in their entirety to Beneficiary. If only a portion of the Mortgaged Property is taken and the portion remaining can be (in Beneficiary's reasonable judgment), with rebuilding, restoration, or repair, operated for the purpose it was being used immediately prior to such taking or diminution, and provided Grantor is not then in Default under the terms of this Deed of Trust, the proceeds of the Mortgaged Property will be applied first to the reimbursement of all costs and expenses incurred by Beneficiary and Grantor in connection with such condemnation proceedings and the balance to the restoration of the Mortgaged Property, or the remaining portion thereof in accordance with the provisions of Paragraph 2.1(C.) above. Beneficiary is authorized, in the name of Grantor, to execute and deliver valid satisfactions of, and to appeal from, any such award, judgment, decree or other matter. Grantor shall promptly notify Beneficiary of the institution or threatened institution of any proceeding relating to injury, damage, or condemnation of any of the Mortgaged Property. Beneficiary shall have the right to participate in any such proceeding. In the event Beneficiary, as a result of any such judgment, decree or award, determines, in Beneficiary's good faith judgment, that the payment of the debt or performance of any obligations under this Deed of Trust is materially impaired, Beneficiary may declare all of the Indebtedness immediately due and payable.

G. Grantor will keep every part of the Mortgaged Property in good condition and presenting a good appearance, reasonable wear and tear excepted, making promptly all

repairs, renewals and replacements necessary to such end, and doing promptly all else necessary to such end. Grantor will discharge all claims for labor performed and material furnished therefor and will not suffer any lien of mechanics or materialmen therefor to attach to any part of the Mortgaged Property; provided, however, Grantor will not be required to pay or discharge such claims as long as (i) the legality of the same shall be contested in good faith by the appropriate legal proceedings, (ii) Grantor shall have established on its books adequate reserves with respect to such claim in accordance with generally accepted accounting principles, consistently applied, including any penalties, interest or additional charges accruing thereon, (iii) Grantor is not otherwise then in Default under the terms of this Deed of Trust on the Mortgaged Property, and (iv) Beneficiary shall be advised of the status of all actions being taken by Grantor and Grantor pursues with reasonable diligence the resolution of such claim or lien. Grantor will take reasonable measures to guard every part of the Mortgaged Property from removal, destruction and damage, and will take reasonable measures to not do or suffer to be done any act whereby the value of the Mortgaged Property taken as a whole, may be lessened. No building or other property now or hereafter covered by the lien of this Deed of Trust shall be removed, demolished or materially altered or enlarged, nor shall any new building be constructed, without the prior written consent of Beneficiary, which consent shall not be unreasonably conditioned, withheld, or delayed; and in such event, Grantor agrees to execute and deliver to Beneficiary such instruments and assurances as Beneficiary may reasonably require and pay all reasonable fees and expenses incurred by Beneficiary in connection therewith. Grantor shall not initiate, join in, or consent to any change in any private restrictive covenants, zoning ordinances or other public or private restrictions limiting or defining the uses that may be made of the Mortgaged Property or any part thereof without the prior written consent of Beneficiary, which consent shall not be unreasonably conditioned, withheld, or delayed. After 3 days prior written notice to Grantor, Beneficiary and its agents or representatives shall have access to the Mortgaged Property at all reasonable times during normal business hours in order to inspect same and verify Grantor's compliance with their duties and obligations under this Deed of Trust.

H. If, without the prior written consent of Beneficiary: (i) all or any part of the Mortgaged Property, or any interest therein, is sold, transferred or otherwise conveyed outside of the ordinary course of business, or (ii) Grantor creates or permits to be created any lien or encumbrance on the Mortgaged Property outside the ordinary course of business, or (iii) Grantor grants any easement, right-of-way or any other right whatsoever with respect to the Mortgaged Property outside of the ordinary course of business, or (iv) Grantor conveys any leasehold interest for any purpose whatsoever covering all or any portion of the Mortgaged Property, including without limitation, an oil, gas or other mineral lease, for a period longer than 1 year, other than the lease of space consistent with prudent business practices, or (v) there is a sale, transfer or exchange of the majority of the beneficial interest in Grantor (if Grantor is not a natural person but is a corporation, limited liability company, partnership, trust or other legal entity) (all and any of the above being collectively called the "Transfers"), and irrespective of whether any such Transfers are evidenced by written instruments, and/or is filed for record, then Beneficiary may, at its option declare all or part of the Indebtedness immediately due and payable, and Beneficiary shall be entitled to exercise any and all remedies provided under this Deed of Trust; provided, however, in the event of (ii), (iii) or (iv) above, Beneficiary shall not unreasonably withhold, delay, or condition its consent and in such event, Grantor agrees to execute and deliver to Beneficiary such further instruments and assurances as Beneficiary may reasonably require and pay all fees and expenses incurred by Beneficiary in connection therewith. Grantor shall immediately notify Beneficiary, as provided below, of any Transfer.

I. In the event the ownership of the Mortgaged Property or any part thereof becomes vested in a person other than Grantor, Beneficiary may, deal with such successor or successors in interest with reference to this Deed of Trust and to the Indebtedness in the same manner as with Grantor, without in any way vitiating or discharging Grantor's liability hereunder or upon the Indebtedness. No sale of the Mortgaged Property and no forbearance on the part of Beneficiary, and no extension of the time for the payment of the Indebtedness, given by Beneficiary, shall operate to release, discharge, modify, change, or affect, either in whole or in part, any original liability of Grantor or the liability of the guarantors or sureties of Grantor or of any other party liable for payment of the Indebtedness or any part thereof.

J. In the event any portion of the Indebtedness is not, for any reason whatsoever, secured by this Deed of Trust on the Mortgaged Property, the full amount of all payments made on the Indebtedness shall first be applied to such unsecured portion of the Indebtedness until the same has been fully paid.

K. All of the rents, royalties, issues, profits, revenue, income and other benefits derived from the Mortgaged Property or arising from the use or enjoyment of any portion thereof or from any lease or agreement pertaining thereto (hereinafter called the "Rents and Profits") are assigned, transferred, conveyed, and set over to Beneficiary to be applied by Beneficiary in accordance with the terms hereof. Grantor additionally assigns to Beneficiary all of Grantor's rights, but none of its obligations, under all existing or future leases or other agreements under the terms of which any person has or acquires any right to occupy or use any part of or interest in the Mortgaged Property, and each and all existing or future guaranties of payment or performance thereunder, and all extensions, renewals, modifications, supplements and replacements thereof. Grantor and Beneficiary intend that these assignments constitute an assignment and security agreement under the Texas Property Code, Chapter 64, and a security agreement within the meaning of Chapter 9 of the Texas Business & Commerce Code. Other than during the existence of an Event of Default, Grantor shall have a license to collect and receive all Rents and Profits as Trustee for the benefit of Beneficiary, and Grantor shall apply the funds so collected first to the payment of the principal and interest and all other sums payable on the Indebtedness then due and payable and thereafter, so long as no Event of Default has occurred, the balance shall be distributed to the account of Grantor. Upon the occurrence of an Event of Default and the expiration of any right to cure period in the Loan Agreement, such license in favor of Grantor shall automatically and immediately terminate without any action or notice, or the necessity thereof, by Beneficiary or any other party, and Beneficiary shall be entitled to immediate possession of all Rents and Profits regardless of the value of the security for the Indebtedness and regardless of whether Beneficiary has initiated any action to take possession of any portion of the Mortgaged Property. Grantor hereby authorizes and directs the tenants under any lease to pay directly to Beneficiary all rents accruing under its lease agreement, upon written demand by Beneficiary, without the further consent of Grantor and regardless of whether Beneficiary has taken possession of any portion of the Mortgaged Property, and the tenants may rely upon any written statement delivered by Beneficiary to the tenants. Grantor will not (i) execute an assignment of any of its right, title or interest in the Rents and Profits, or (ii) accept prepayment of any installments of rent to become due under any of such leases in excess of one month, except prepayments in the nature of security for the performance of the lessee thereunder, or (iii) in any other manner materially impair the security of this Deed of Trust without Beneficiary's consent. Grantor will not execute any lease of all or any substantial portion of the Mortgaged Property except for actual occupancy by the lessee thereunder, and will at all times promptly and faithfully perform, or cause to be performed, each material covenant, condition and agreement contained in each lease of the Mortgaged

Property now or hereafter existing, on the part of lessor thereunder to be kept and performed. Grantor shall furnish to Beneficiary, within 10 days after a written request by Beneficiary to do so, a written statement containing the names of all lessees of the Mortgaged Property, the terms of their respective leases, the space occupied and the rentals payable thereunder together with copies of any and all written leases then existing which affect or pertain to the Mortgaged Property. If requested by Grantor, Beneficiary agrees to execute with Grantor and the tenant or tenants of the Mortgaged Property, a Lease Subordination, Non-Disturbance and Attornment Agreement in a form reasonably acceptable to Grantor and Beneficiary.

L. To the extent that proceeds of the Note are used to pay any prior indebtedness secured by an outstanding lien, security interest, charge or prior encumbrance against the Mortgaged Property, such proceeds have been advanced by Beneficiary at Grantor's request; and Beneficiary shall be subrogated to any and all rights, powers, equities, liens and security interests owned or granted by any owner or holder of such prior indebtedness, irrespective of whether the prior security interests, liens, charges or encumbrances covering the Mortgaged Property are released of record.

M. Grantor agrees that it shall execute and deliver such other and further documents and do and perform such other acts as may be reasonable, necessary and proper to carry out the intention of the parties as herein expressed and to effect the purposes of this document and the loan transaction referred to herein, provided such documents are consistent with the terms, conditions and covenants contained in the documents evidencing the Indebtedness. Without limitation of the foregoing, Grantor agrees to execute and deliver such documents as may be necessary to cause the liens and security interests granted to cover and apply to the Mortgaged Property.

N. If Grantor fails to comply with the requirements of Paragraphs 2.1 (C) and 2.1 (E), or if there shall exist any other uncured Event of Default after the expiration of any notice and right to cure period in the Loan Agreement, Beneficiary may require that Grantor pay, in addition to the payments of the Indebtedness, such sums as Beneficiary reasonably determines, in its sole and absolute discretion, as are necessary to pay the estimated annual taxes, assessments and insurance premiums (as estimated by Beneficiary, acting in good faith), next due on the Mortgaged Property. Such payments shall be made in such amounts and at such time as Beneficiary may reasonably determine and Beneficiary shall not be required to pay interest to Grantor with respect to any such payment. The impounded funds will be applied, as applicable, to pay insurance premiums and, to the extent not contested, to taxes, as applicable. If the amount so paid is not sufficient to pay such taxes, assessments and insurance premiums when due, then Grantor shall deposit immediately with Beneficiary an amount sufficient to pay such taxes, assessments and insurance premiums. If there is an Event of Default resulting in a foreclosure sale of the Mortgaged Property, or if Beneficiary otherwise acquires the Mortgaged Property after an Event of Default, any amounts held by Beneficiary pursuant to this provision shall become, at the time of commencement of such proceedings or at the time the Mortgaged Property is otherwise acquired, the property solely of Beneficiary to be applied in payment of taxes, assessments or insurance premiums, or, at the election of Beneficiary, as a credit against the Indebtedness. In the event of an Event of Default resulting in foreclosure, such conversion of such amounts so deposited with Beneficiary to the exclusive and sole ownership of Beneficiary shall be automatic without the necessity of any action on the part of Beneficiary.

O. Grantor shall, at any time and from time to time, furnish promptly, upon request, a written statement or affidavit, in such form as may be reasonably required by

Beneficiary, stating the unpaid balance of the Note, and that there are no offsets or defenses against full payment of the Note and performance of the terms hereof, or if there are any such offsets and defenses, specifying them.

P. Upon the occurrence of an Event of Default and the expiration of any right to cure period in the Loan Agreement, Grantor agrees that Beneficiary shall be entitled to obtain a current appraisal of the Mortgaged Property. The reasonable and bona fide costs and expenses of such appraisals shall be paid by Grantor within 10 days of the date an invoice therefor is mailed to Grantor.

Q. Grantor shall comply with all laws, ordinances, rules and regulations of all federal or state governmental agencies of a material nature relating to the Mortgaged Property or any part thereof and shall secure and maintain all contracts, franchises, permits and licenses necessary or desirable for the construction and/or the efficient operation of the improvements and/or business conducted on the Mortgaged Property. Grantor shall keep and maintain the Mortgaged Property in compliance with, and shall not cause or permit the Mortgaged Property to be in violation of, any applicable environmental, air quality, zoning, planning, building, health, fire, traffic, safety, wetlands, coastal, and other governmental or regulatory rules, laws, ordinances, statutes, codes, or requirements applicable to the Mortgaged Property.

2.2 If, while this trust is in force, the title of Trustee to the Mortgaged Property or any part thereof, shall be endangered or shall be attacked directly or indirectly, Grantor authorizes Beneficiary, to take all necessary and proper steps for the defense of the title, including the employment of counsel, the prosecution or defense of litigation, and the compromise or discharge of claims made against the title, with Grantor to pay the reasonable and bona fide expenses relating to same.

2.3 All reasonable costs, expenses, and attorneys' fees incurred in performing and complying with Grantor's covenants set forth herein shall be borne solely by Grantor. If, in pursuance of any covenant herein contained, Beneficiary shall pay out any money chargeable to Grantor, or subject to reimbursement by Grantor under the terms hereof, Grantor will repay the same to Beneficiary immediately, upon demand, at the place where the Indebtedness is payable, and if such sums are not paid within 20 days after demand, together with interest thereon at the maximum non-usurious rate allowed by Applicable Law from and after the date of Beneficiary's making such payment, the sum of each such payment shall be added to the Indebtedness and thereafter shall form a part of the same and shall be secured by this Deed of Trust and by subrogation of Beneficiary to all the rights of the person, corporation, or body politic receiving such payment.

2.4 Grantor or Grantor's heirs, executors, administrators, or assigns, shall not have or assert, and do hereby waive to the full extent permitted by law any right, under any statute or rule of law pertaining to the marshaling of assets, the exemption of homestead, the administration of estates of decedents, or other matter whatever to defeat, reduce or affect the right of Beneficiary, under the terms of this Deed of Trust, to a sale of the Mortgaged Property for the collection of the Indebtedness (without any prior or different resort for collection), or the right of Beneficiary, under the terms of this Deed of Trust, to the payment of the Indebtedness out of the proceeds of sale of the Mortgaged Property in preference to every other person and claimant whatever (only reasonable expenses being first deducted).

2.5 In the event that there is a trustee's sale hereunder and if at the time of such sale Grantor, or Grantor's heirs, executors, administrators or assigns, are occupying the premises so sold,

each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either tenant or landlord, at a reasonable rental per day based upon the value of the Mortgaged Property, such rental to be due daily to the purchaser. An action of forcible entry and detainer and any other legal proceeding shall lie if the tenant holds over after a demand in writing for possession of the Mortgaged Property. This Deed of Trust and Trustee's deed shall constitute the lease and agreement under which the tenant's possession, each and all, arose and continued.

2.6 The covenants herein contained shall inure to the benefit of Beneficiary and Trustee, their heirs, legal representatives, successors and assigns, and shall be binding upon the respective heirs, legal representatives, successors and assigns of Grantor, but nothing in this paragraph shall constitute an authorization for Grantor to sell or in any way dispose of the Mortgaged Property or any part thereof unless otherwise permitted by any of the terms hereof.

ARTICLE III. DEFAULT AND REMEDIES

3.1 The term "Default" or "Event of Default" as used in this Deed of Trust shall mean the occurrence of one or more of the following:

- A. Default in the prompt payment when due, of the Indebtedness, or any part thereof.
- B. The failure to keep and perform (or failure to furnish evidence of the performance of) any of the other covenants or agreements contained herein or in any other document evidencing or securing payment of, or otherwise relating to, the Indebtedness, including, but not limited to the Loan Agreement.
- C. Grantor abandons any material part of the Mortgaged Property.

3.2 Upon the occurrence of any Event of Default and the expiration of any right to cure period in the Loan Agreement, Beneficiary, at Beneficiary's option and without further demand, presentment, notice of intention to accelerate, notice of acceleration, or notice of any kind or nature whatsoever, all of which are expressly waived by Grantor, may, to the extent permitted by the documents executed by Grantor or by Applicable Law, declare the entire unpaid Indebtedness immediately due and payable, whereupon it shall be so due and payable, and Beneficiary shall have and may exercise all rights and remedies granted hereunder, in any other instrument securing payment of the Indebtedness, or any and all of the rights and remedies permitted under Applicable Law (all of which rights and remedies shall be cumulative).

3.3 Upon the occurrence of an Event of Default and the expiration of any right to cure period in the Loan Agreement, Beneficiary shall have the option, without declaring the entire Indebtedness due, to proceed with foreclosure in satisfaction of such Default either through the courts or by directing Trustee or Trustee's successors in trust to proceed as if under a full foreclosure, conducting the sale as hereinafter provided. Such sale may be made subject to the unmatured part of the Note or other Indebtedness without any effect on the unmatured portion of the Indebtedness, but as to such unmatured portion of the Indebtedness, this Deed of Trust shall remain in full force and effect just as though no sale had been made under the provisions of this paragraph. In addition, several sales may be made hereunder without exhausting the right of sale for any unmatured portion of the Indebtedness, it being the intention of the parties hereto to provide for a foreclosure and sale of the security for any matured portion of the Indebtedness without exhausting the power to foreclose and to sell the security for any other portion of the Indebtedness whether matured at the time or

subsequently maturing. An assignee holding any installment or part of any installment of the Note or other portion of the Indebtedness shall have the same powers as are conferred on Beneficiary to proceed with foreclosure on a matured installment or installments and also to request Trustee or Trustee's successors in trust to sell the Mortgaged Property or any part thereof; but if the assignee forecloses or causes a sale to be made to satisfy any installment, part of an installment, or installments, then such foreclosure or sale shall be made subject to all of the terms and provisions hereof with respect to the unmaturing part of the Note and other portions of the Indebtedness owed by Beneficiary.

3.4 Upon the occurrence of an Event of Default and the expiration of any right to cure period in the Loan Agreement, Grantor authorizes and empowers Trustee, and each and all of Trustee's successors in this trust, at any time thereafter at the request of Beneficiary (which request is conclusively presumed), to sell at public venue the Mortgaged Property or any part thereof, or any interest therein, to the highest bidder, for cash, within the area of the County Courthouse designated by the Commissioner's Court of the county in Texas in which the property to be sold or any part thereof is situated, between the hours of 10:00 A.M. and 4:00 P.M. of the first Tuesday of any month, after advertising the time, place and terms of said sale, and the property to be sold (in this Section called the "Posted Mortgaged Property"), by posting (or by having any person acting for Trustee post), for at least 21 days preceding the date of the sale, written notice of the proposed sale at the Courthouse door of each county in which the Posted Mortgaged Property is situated and by filing a copy of the written notice in the office of the county clerk of each county in which part of the Posted Mortgaged Property is situated at least 21 days preceding the date of the sale. If the Posted Mortgaged Property is in more than one county, the Posted Mortgaged Property may be sold at the courthouse door of any one of such counties, and the notice so posted and filed shall designate in which county the Posted Mortgaged Property shall be sold. In addition to giving such notices, Beneficiary (or any person acting for Beneficiary) shall at least 21 days preceding the date of the sale serve written notice of the proposed sale by certified mail on each debtor obligated to pay the Indebtedness according to records of Beneficiary. Service of such notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to Grantor and such other debtors obligated to pay the Indebtedness at their most recent address as shown by the records of Beneficiary, in a post office or official depository under the care and custody of the United States Postal Service. The provisions hereof with respect to the posting and giving notices of sale and the procedure for conduction of a non-judicial foreclosure sale are intended to comply with the provisions of Applicable Law, including Section 51.002, as amended, of the Texas Property Code, and in the event the requirements under such Section 51.002 shall be eliminated or the prescribed manner modified by future amendment to, or adoption of any statute superseding such Section 51.002, the provisions and requirements shall be deemed stricken from or modified in this instrument in conformity with such amendment or superseding statute, effective as of the effective date of same. The manner herein prescribed for serving or giving any notice, other than that to be posted or caused to be posted by Trustee, shall not be deemed exclusive, but such notice or notices may be given in any other manner which may be permitted by Applicable Law. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. Grantor agrees that no notice of any sale other than as set out in this paragraph need be given by Trustee, Beneficiary or any other person. Grantor designates as Grantor's address for the purposes of such notice, the address set out below opposite Grantor's signature, and each other debtor, if any, obligated to pay the Indebtedness agrees that such address shall likewise constitute such other debtor's address for such notice, unless a different address is designated by Grantor or such other debtor. Grantor authorizes and empowers Trustee, and each and all of Trustee's successors in this trust, to sell the Posted Mortgaged Property, or any part thereof (which partial sale shall be governed by Section 3.9 hereof) or any interest therein, as an entirety or in parcels, by one sale or by several sales held at one time or at different times as Trustee shall deem

advisable at the time of sale, and to execute and deliver to the purchaser or purchasers thereof good and sufficient deed or deeds of conveyance thereof and bills of sale with covenants of general warranty binding on Grantor and Grantor's heirs, personal representatives, successors and assigns. Trustee, upon making such sale, shall receive the proceeds thereof and shall apply the same as follows:

A. First, to the payment of the costs and expenses of taking possession of the Posted Mortgaged Property and of holding, using, leasing, repairing, improving and selling the same, including, without limitation (i) reasonable trustees' and receivers' fees, (ii) court costs, (iii) reasonable attorney's and accountants fees, and (iv) reasonable costs of advertisement.

B. Second, to the payment of all amounts, other than the principal balance and accrued but unpaid interest, which may be due to Beneficiary under the Indebtedness or any documents or instruments securing payment or performance of the Indebtedness or this Deed of Trust, together with interest thereon as provided therein.

C. Third, to the payment of all accrued but unpaid interest due on the Indebtedness.

D. Fourth, to the payment of the principal balance on the Indebtedness and any documents or instruments securing payment of the Indebtedness, irrespective of whether then matured.

E. Fifth, to the payment of any and all liens, security interests or other rights, titles or interests superior to the lien and security interest of this Deed of Trust (except those to which the Posted Mortgaged Property has been sold subject to and without in any way implying Beneficiary's prior consent to the creation thereof).

F. Sixth, to the extent known by Beneficiary, to the payment of any indebtedness or obligation secured by a subordinate deed of trust on or security interest in the Posted Mortgaged Property.

G. Seventh, to the person or persons legally entitled thereto; provided, however, in the event conflicting claims are asserted to any surplus proceeds of sale, Trustee may interplead such surplus funds into a court of competent jurisdiction and be relieved of his duties hereunder.

3.5 Payment of the purchase price to Trustee shall satisfy the obligation of the purchaser at such sale and such purchaser shall not be bound to look after the application thereof. Grantor ratifies and confirms any and all acts that Trustee, or Trustee's successor or successors in this trust, shall do lawfully by virtue hereof. Grantor agrees, on behalf of Grantor and Grantor's respective heirs, personal representatives, successors and assigns, that the recitals contained in any deed or deeds or other instrument executed in due form by any Trustee or substitute trustee, acting under the provisions of this instrument, shall be prima facie evidence of the facts recited therein, and that it shall not be necessary to prove in any court, otherwise than by such recitals, the existence of the facts essential to authorize the execution and delivery of such deed or deeds or other instrument and the passing of title thereby, and all prerequisites and requirements of any sale or sales shall be conclusively presumed to have been performed absent actual fraud. All persons subsequently dealing with the Mortgaged Property purported to be conveyed by such deed or deeds or other instrument, including without limitation, the purchaser or purchasers thereof, shall be fully protected

in relying upon the truthfulness of such recitals. Trustee or any successor Trustee acting in accordance with the terms hereof shall not be personally liable for any action taken pursuant hereto.

3.6 Beneficiary may bid and become the purchaser of the Mortgaged Property at any trustee's or foreclosure sale hereunder and shall have the right to credit the amount of the bid upon the amount of the Indebtedness owing to Beneficiary, in lieu of cash payment.

3.7 The purchaser at any trustee's or foreclosure sale hereunder may disaffirm any easement granted, or rental or lease contract made, in violation of any provision of this Deed of Trust, and may take immediate possession of the Mortgaged Property free from, and despite the terms of, such grant of easement and rental or lease contract.

3.8 Upon the occurrence of an Event of Default and the expiration of any right to cure period in the Loan Agreement, Beneficiary may, at Beneficiary's option, enter upon and take exclusive possession of the Mortgaged Property and thereafter manage, use, lease and otherwise operate same in such manner and by and through such persons, objects or employees as it may deem proper and necessary. Beneficiary shall be likewise entitled to possession of all books and records of Grantor that relate to the Mortgaged Property. The rights of Beneficiary under this paragraph may be enforced through an action for forcible entry and detainer or any other means authorized by law. Any and all rents or other issues or profits received by Beneficiary shall be accounted for in the manner provided for in this Deed of Trust.

3.9 The sale or sales by Trustee of less than the whole of the Mortgaged Property shall not exhaust the power of sale herein granted, and Trustee is specifically empowered to make successive sale or sales under such power until the whole of the Mortgaged Property shall be sold. If the proceeds of such sale or sales of less than the whole of such Mortgaged Property shall be less than the aggregate of the Indebtedness and the expense of executing this trust, this Deed of Trust and the lien, security interest and assignment hereof shall remain in full force and effect as to the unsold portion of the Mortgaged Property just as though no sale or sales had been made. Provided, however, that Grantor shall never have the right to require sale or sales of less than the whole of the Mortgaged Property, but Beneficiary shall have the right, at its sole election, to request Trustee to sell less than the whole of the Mortgaged Property. Upon the occurrence of an Event of Default and the expiration of any right to cure period in the Loan Agreement, the holder of the Indebtedness or any part thereof on which the payment is delinquent shall have the option to proceed with foreclosure in satisfaction of such item either through judicial proceedings or by directing Trustee to proceed as if under a full foreclosure, conducting the sale as herein provided without declaring the entire Indebtedness due, and if sale is made because of default of an installment, or a part of an installment, such sale may be made subject to the unmaturing part of the Indebtedness. It is agreed that such sale, if so made, shall not in any manner affect the unmaturing part, but as to such unmaturing part, this Deed of Trust shall remain in full force and effect as though no sale had been made hereunder. Several sales may be made hereunder without exhausting the right of sale for any unmaturing part of the Indebtedness.

3.10 At all times, and to the fullest extent allowed by law, Grantor shall indemnify, release and hold Trustee harmless from all Trustee's acts or omissions in performance of his duties hereunder, which such claim arises out of contract or tort, including all reasonable costs of defense and settlement; provided, however, this release, indemnity and hold harmless shall not extend to or cover acts of fraud, willful misconduct or negligence by Trustee.

3.11 In the event an interest in any of the Mortgaged Property is foreclosed upon pursuant to a judicial or nonjudicial foreclosure sale, Grantor agrees that, notwithstanding

the provisions of Sections 51.003, 51.004, and 51.005 of the Texas Property Code, as amended (the "Foreclosure Deficiency Statutes"), and, to the extent permitted by Applicable Law, Grantor agrees that Beneficiary shall be entitled to seek a deficiency judgment from Grantor and any other party obligated on the Indebtedness equal to the difference between the amount owing on the Indebtedness and the amount for which the Mortgaged Property was sold pursuant to judicial or nonjudicial foreclosure sale. Grantor expressly recognizes that this Section constitutes a waiver of the Foreclosure Deficiency Statutes which would otherwise permit Grantor and other persons against whom recovery of deficiencies is sought or a guarantor of the Note independently (even absent the initiation of deficiency proceedings against them) to present competent evidence of the fair market value of the Mortgage Property as of the date of the foreclosure sale and offset against any deficiency the amount by which the foreclosure sale price is determined to be less than such fair market value. Grantor further recognizes and agrees that this waiver creates an irrebuttable presumption that the foreclosure sale price is equal to the fair market value of the Mortgaged Property for purposes of calculating deficiencies owed by Grantor and others against whom recovery of a deficiency is sought.

3.12 Alternatively, in the event the waiver provided for in Section 3.11 above is determined by a court of competent jurisdiction to be unenforceable, Grantor and Beneficiary agree (a) to submit the Appraised Value (as defined below) as the only competent evidence for purposes of the fair market value determination under the relevant portions of the Foreclosure Deficiency Statutes, and (b) to submit such competent evidence to the judge, instead of a jury, as the finder of fact under the relevant Foreclosure Deficiency Statute. As used herein, the term "Appraised Value" shall mean the fair market value of the Mortgaged Property determined as of the date of the foreclosure sale, in accordance with the following provisions:

A. The Mortgaged Property shall be valued in an "as is" condition as of the date of the foreclosure sale, without any assumption or expectation that the Mortgaged Property will be repaired or improved in any manner before a resale of the Mortgaged Property after foreclosure. The valuation shall be based upon an assumption that the foreclosure purchaser desires a resale of the Mortgaged Property for cash promptly (but no later than 12 months) following the foreclosure sale. All reasonable closing costs customarily borne by the seller in commercial real estate transactions should be deducted from the gross fair market value of the Mortgaged Property, including, without limitation, brokerage commissions, title insurance, a survey of the Mortgaged Property, tax prorations, attorneys' fees, and marketing costs. The gross fair market value of the Mortgaged Property shall be further discounted to account for any estimated holding costs associated with maintaining the Mortgaged Property pending sale, including, without limitation, utilities expenses, property management fees, taxes and assessments (to the extent not accounted for above), and other maintenance, operational, and ownership expenses.

B. Grantor and Beneficiary shall each appoint an independent appraiser who is a designated member in good standing with the American Institute of Real Estate Appraisers or another recognized national organization of appraisers if the former organization is no longer in existence, having at least 10 years experience, of which the last 5 years shall have been in the county in which the Mortgaged Property is located, in appraising properties similar to the Mortgaged Property for institutional lenders and others, each of whom shall prepare and submit a written appraisal of the Mortgaged Property within 14 days of such appraiser's appointment. If the difference, if any, between the 2 appraisals submitted is an amount less than or equal to 5% of the amount of the lesser appraisal, the Appraised Value of the Mortgaged Property shall be deemed to be equal to the numerical average of the amounts of the 2 appraisals submitted.

C. If the difference between the 2 appraisals submitted is an amount greater than 5% of the amount of the lesser appraisal, the initial appraisers shall meet within 7 days after the submission of the initial appraisals to appoint a mutually acceptable third appraiser with the same minimum qualifications specified herein for the initial appraisers; and in the event that the initial appraisers are unable to agree upon the appointment of a third appraiser with the same minimum qualifications specified herein for the initial appraisers within 7 days after the submission of the initial appraisals, then either Grantor or Beneficiary, may request the appointment of a third appraiser with the same minimum qualifications specified herein for the initial appraisers by any court of competent jurisdiction. The third appraiser shall prepare and submit a written appraisal of the Mortgaged Property within 45 days of such appraiser's appointment. If a third appraisal is required to be submitted, the Appraised Value of the Mortgaged Property shall be deemed to be equal to the numerical average of the amounts of the 3 appraisals submitted.

D. In the event of the failure, refusal or inability of any appraiser selected pursuant to this Section to act in accordance with the provisions of this Section, a new appraiser shall be appointed in his stead, which appointment shall be made in the same manner as hereinbefore provided for the appointment of such appraiser so failing, refusing or unable to act.

E. Reasonable fees and expenses of the appraisers shall be borne by Grantor, and to the extent paid by Beneficiary, shall be reimbursed to Beneficiary by Grantor on demand.

ARTICLE IV: SUBSTITUTE AND SUCCESSOR TRUSTEE

4.1 If Trustee shall die or become disqualified from acting in the execution of this trust, or shall fail or refuse to execute the same when requested by Beneficiary to do so, or, if, for any reason, Beneficiary shall prefer to appoint a substitute trustee to act instead of Trustee, Beneficiary shall have full power to appoint, by written instrument, a substitute trustee, and, if desired, several substitute trustees in succession, who shall succeed to all the estate, rights, powers and duties of Trustee named herein. No notice of such appointment need be given to Grantor or other person or filed for record in any public office. Such appointment may be executed by any authorized agent of Beneficiary. Such appointment executed in its behalf by any officer of such entity shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of such entity.

ARTICLE V: SECURITY AGREEMENT

5.1 To further secure the Indebtedness, Grantor grants a security interest to Beneficiary in and to all the Fixtures and Personalty (all of Fixtures and Personalty and the proceeds thereof being sometimes called the "Collateral"), and as used in this Deed of Trust, Collateral shall be included in the term "Mortgaged Property" when used herein. The mention of proceeds of Collateral herein shall not be construed as an authorization for the sale or surrender by Grantor of Collateral. This document shall constitute a security agreement as well as a mortgage and deed of trust. The following applies with respect to Collateral:

A. In addition to and cumulative of any other remedies granted in this Deed of Trust to Beneficiary, Beneficiary may, upon an Event of Default and the expiration of any right to cure period in the Loan Agreement, proceed under Chapter 9 of the Texas Business and Commerce Code as now adopted and existing and as it may hereafter be amended or succeeded (the "Code") as to all or any part of the Collateral all of the rights, remedies and powers of a secured party under the Code, including, without limitation, the right and power to repossess, retain and to sell, at public or private sale or sales, or otherwise dispose of, lease

or utilize the Collateral or any part thereof and to dispose of the proceeds in any manner authorized or permitted under the applicable provisions of the Code, and to apply the proceeds thereof as provided in Section 3.4 hereof and consistent with the Code. Nothing in this Article V shall be construed to impair or limit any other right or power to which Beneficiary may be entitled at law or in equity.

B. Among the rights of Beneficiary upon an Event of Default and the expiration of any right to cure period in the Loan Agreement, and to the extent permitted by Applicable Law, Beneficiary shall have the right (but not the obligation), without being deemed guilty of trespass and without liability for damages thereby occasioned, (i) to peaceably enter upon any premises where the Collateral may be situated and take possession of the Collateral, or render it unusable, or dispose of the Collateral on Grantor's premises, and Grantor agrees not to resist or to interfere, and (ii) to take any action deemed reasonably necessary or appropriate or desirable by Beneficiary at Beneficiary's option and in its discretion, to repair, refurbish or otherwise prepare the Collateral for sale, lease or other use or disposition as herein authorized. Beneficiary may at Beneficiary's discretion require Grantor to assemble the Collateral and make it available to Beneficiary at a place designated by Beneficiary that is reasonably convenient to both parties.

C. Beneficiary shall give Grantor written notice of the time and place of any public sale of any of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made at least 10 days before the time of sale or other disposition, which provisions for notice Grantor and Beneficiary agree are reasonable; provided, however, that nothing herein shall preclude Beneficiary from proceeding as to both real and personal property in accordance with Beneficiary's rights and remedies in respect to real property as provided in the Code, and without any notice to Grantor except for the notices provided for in Article III hereof.

D. To the extent such may now or hereafter be permitted under Applicable Law, Beneficiary is authorized to execute and file financing statements and continuation statements under the Code with respect to the Collateral without joinder of Grantor in such execution or filing. Grantor shall execute and deliver to Beneficiary such financing statements, continuation statements and other documents relating to the Collateral as Beneficiary may reasonably request from time to time to preserve and maintain the priority of the security interest created by this Deed of Trust and shall pay to Beneficiary on written demand any reasonable expenses and attorneys' fees incurred by Beneficiary in connection with the preparation, execution and filing of this Deed of Trust and of any financing statements, continuation statements, partial releases, termination statements or any other documents necessary or desirable to continue or confirm Beneficiary's security interest, or any modification thereof. This document, and any carbon, photographic or other reproduction of this document may be filed by Beneficiary and shall be sufficient as a financing statement. All or part of the Collateral is or may become fixtures on the real estate constituting a portion of the Mortgaged Property, but this statement shall not impair or limit the effectiveness of this document as a security agreement or financing statement for other purposes, and this Deed of Trust shall constitute a fixture financing statement and, as such, shall be filed for record in the real estate records of the county in which the Land is located. Grantor shall not change Grantor's name without the prior express written consent of Beneficiary. The name of the record owner of the Land is the party or parties defined herein as Grantor.

E. Unless otherwise disclosed to Beneficiary as herein provided, Grantor agrees that, except for the security interest granted in the Collateral, Grantor is the owner of the Collateral free of any adverse claim, security interest or encumbrance, and Grantor shall

defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein. Grantor has not heretofore signed any financing statement and no financing statement signed by Grantor is now on file in any public office except those statements, true and correct copies of which have been delivered to Beneficiary. So long as any amount remains unpaid on the Indebtedness, Grantor shall not execute and there shall not be filed in any public office any such financing statement or statements affecting the Collateral other than financing statements in favor of Beneficiary, or other purchase money indebtedness by Grantor.

F. The security interest granted herein shall not be construed or deemed to constitute Beneficiary or Trustee as a trustee or mortgagee in possession of the Mortgaged Property so as to obligate Beneficiary or Trustee to lease the Mortgaged Property or attempt to do the same, or to take any action, incur any expense or perform or discharge any obligation, duty or liability with respect to the Mortgaged Property or any part thereof or otherwise.

G. Grantor's and Beneficiary's addresses are as set forth below. Either party may notify the other of a new address in the manner specified in Section 3.4 above.

ARTICLE VI: ENVIRONMENTAL PROVISIONS

6.1 For the purposes of this Deed of Trust, unless the context otherwise specifies or requires, the following terms shall have the meaning herein specified:

A. "Hazardous Materials" shall mean (i) any "hazardous waste" as defined by the Resources Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq.), as amended from time to time, and regulations promulgated thereunder; (ii) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.) ("CERCLA"), as amended from time to time, and regulations promulgated thereunder, save and except those items used by Grantor on or about the Mortgaged Property in compliance with applicable Governmental Requirements; (iii) asbestos; (iv) polychlorinated biphenyls; (v) underground storage tanks, whether empty, filled or partially filled with any substance, (vi) any substance the presence of which on the Mortgaged Property is prohibited by any Governmental Requirements; and (vii) any other substance which by any Governmental Requirements requires special handling or notification of any federal, state or local governmental entity in its collection, storage, treatment, or disposal.

B. "Hazardous Materials Contamination" shall mean the contamination (whether presently existing or hereafter occurring) of the Improvements, facilities, soil, groundwater, air or other elements on or of the Mortgaged Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on or of any other property as a result of Hazardous Materials at any time (whether before or after the date of this Deed of Trust) emanating from the Mortgaged Property.

C. "Governmental Requirements" shall mean all laws, ordinances, rules, and regulations of any Governmental Authority (as defined below) applicable to Grantor or the Mortgaged Property.

D. "Governmental Authority" shall mean the United States, the state, county, city, or any other political subdivision in which the Mortgaged Property is located, and any other political subdivision, agency, or instrumentality exercising jurisdiction over Grantor or the Mortgaged Property.

E. "Indemnified Costs" shall mean any and all liabilities (including strict liability), actions, demands, penalties, losses, costs, or expenses (including without limitation reasonable attorneys' fees and expenses, and remedial costs), suits, costs of any settlement or judgment and claims of any and every kind whatsoever which may now or in the future (whether before or after the release of this Deed of Trust) be paid, incurred or suffered by or asserted against Beneficiary or Trustee, by any person or entity or Governmental Authority for, with respect to, or as a direct or indirect result of, the presence prior to the Release Date (as defined below) on or under, or the escape, seepage, leakage, spillage, discharge, emission or release prior to the Release Date from the Mortgaged Property of any Hazardous Materials or any Hazardous Materials Contamination, or arise out of or result from the environmental condition of the Mortgaged Property prior to the Release Date or the applicability of any Governmental Requirements relating to Hazardous Materials (including without limitation CERCLA, or any federal, state, or local so-called "superfund" or "superlien" laws, statute, law, ordinance, code, rule, regulation, order or decree) prior to the Release Date.

F. "Release Date" shall mean the first to occur of (i) the date Beneficiary forecloses hereunder or accepts a Deed in Lieu of Foreclosure, or (ii) the date Beneficiary removes Grantor from effective control and management of the Mortgaged Property, or (iii) full payment of the Indebtedness.

Where a defined term in this Article derives its meaning from a statutory reference, for the purpose of this Deed of Trust any regulatory definition promulgated pursuant to the applicable statute shall be deemed to be applicable to the extent its definition is broader than the statutory reference and any reference or citation to a statute or regulation shall be deemed to include any amendments to that statute or regulation and judicial and administrative interpretations of it. To the extent that the laws or regulations of the State of Texas established a broader meaning for a term defined in this Article, notwithstanding the reference to federal Governmental Requirements, such broader meaning set forth in the state Governmental Requirements shall apply.

6.2 Grantor represents and warrants that except as may have been previously and expressly disclosed to Beneficiary in writing:

A. To the best of Grantor's current, actual knowledge and belief, no Hazardous Materials are now located on the Mortgaged Property, and neither Grantor nor, to the best of Grantor's current, actual knowledge and belief, any other person has ever caused or permitted any Hazardous Materials to be placed, held, located or disposed on, under or at the Mortgaged Property or any part thereof, in violation of Applicable Law.

B. No part of the Mortgaged Property is being used nor, to the best of Grantor's current, actual knowledge and belief, has been used at any previous time for the disposal, storage, treatment, processing or other handling of Hazardous Materials other than in the ordinary course of Grantor's business, nor to the best of Grantor's current, actual knowledge and belief, is any part of the Mortgaged Property affected by any Hazardous Materials Contamination.

C. To the best of Grantor's current, actual knowledge and belief, the property adjoining the Mortgaged Property is not being used, or has ever been used at any previous time for the disposal, storage, treatment, processing or other handling of Hazardous Materials nor is any other property adjoining the Mortgaged Property affected by Hazardous Materials Contamination.

D. To the best of Grantor's current, actual knowledge and belief, no investigation, administrative order, consent order and agreement, litigation or settlement with respect to

Hazardous Materials or Hazardous Materials Contamination is proposed, threatened, anticipated or in existence with respect to the Mortgaged Property. The Mortgaged Property is not currently on, and to Grantor's current, actual knowledge, has never been on, any federal or state "superfund" or "superlien" lists.

6.3 Grantor agrees to (a) give notice to Beneficiary immediately upon Grantor's acquiring knowledge of the presence of any Hazardous Materials Contamination on the Mortgaged Property with a full description thereof; (b) obtain, comply with and properly maintain any and all permits, licenses, registrations, waste identification numbers, approvals or other authorizations relating to Grantor, Grantor's business or operations, or the Mortgaged Property required by any Governmental Authority; (c) promptly comply with any Governmental Requirements requiring the removal, treatment or disposal of such Hazardous Materials or Hazardous Materials Contamination and provide Beneficiary with satisfactory evidence of such compliance; and (d) provide Beneficiary, within 30 days after written demand by Beneficiary, with a bond, letter of credit or similar financial assurance evidencing to Beneficiary's satisfaction that the necessary funds are available to pay the cost of removing, treating and disposing of such Hazardous Materials Contamination and discharging any assessments which may be established on the Mortgaged Property as a result thereof.

6.4 Grantor agrees and covenants with Beneficiary not to do or permit anything that will cause Grantor or the Mortgaged Property to be in violation of any Governmental Requirements or do or permit anything to be done that might subject Grantor or the Mortgaged Property to (a) any Hazardous Materials Contamination that would materially and adversely affect the financial condition of Grantor or the value or marketability of the Mortgaged Property, or (b) to any enforcement actions under any Governmental Requirements concerning Hazardous Materials.

6.5 If (a) an Event of Default has occurred and continues beyond any applicable right to cure period, or (b) if Beneficiary, acting in good faith, reasonably believes that a Hazardous Materials Contamination has occurred or that either Grantor or the Mortgaged Property is not in compliance with Governmental Requirements, then Beneficiary (by its officers, employees and agents), at any reasonable time and from time to time with written notice to Grantor, may contract for the services of persons (the "Site Reviewers") to perform an environmental site assessment (the "Site Assessment") on the Mortgaged Property for the purpose of determining whether there exists on the Mortgaged Property any environmental condition which could reasonably be expected to result in any liability, cost or expense to the owner, occupier or operator of the Mortgaged Property arising under any Governmental Requirements relating to Hazardous Materials. The Site Assessment may be performed at any time or times, upon reasonable notice, and under reasonable conditions established by Grantor which do not impede the performance of the Site Assessment. The parties understand and agree that the Site Assessment shall be for the sole and exclusive use, benefit and reliance of Beneficiary, in assessing the value of its security interest in the Mortgaged Property. The Site Reviewers are authorized to enter upon the Mortgaged Property for such purposes at reasonable times and upon reasonable advance written notice to Grantor. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of Hazardous Materials on the Mortgaged Property and such other tests on the Mortgaged Property as may be necessary to conduct the Site Assessment in the reasonable opinion of the Site Reviewers at reasonable times and upon reasonable advance written notice to Grantor. Grantor will supply to the Site Reviewers such historical and operational information regarding the Mortgaged Property as may be reasonably requested by the Site Reviewers to facilitate the Site Assessment and will make available for the meetings with the Site Reviewers appropriate personnel having knowledge of such matters. The reasonable cost of performing such Site Assessment shall be paid by Grantor upon written demand of Beneficiary and any such reasonable expenses borne by Beneficiary and not immediately reimbursed by Grantor shall be secured by this Deed of Trust; provided, unless required by any Governmental Authority, Beneficiary may not request more than 1 Site Assessment in any 12 calendar month period.

6.6 Regardless of whether any Site Assessments are conducted hereunder, if any Event of Default shall have occurred and be continuing or any remedies in respect of the Mortgaged Property are exercised by Beneficiary, Grantor and each guarantor of the Indebtedness (if any) shall defend, indemnify and hold harmless Beneficiary and Trustee from any and all Indemnified Costs, regardless of whether or not caused by or within the control of Grantor, Beneficiary or Trustee; provided, however, that no indemnity is made hereunder for any fraud, willful misconduct, or negligence of Beneficiary or Trustee.

6.7 After reasonable prior written notice to Grantor, Beneficiary shall have the right but not the obligation, prior or subsequent to the occurrence of an Event of Default, at reasonable times without in any way limiting Beneficiary's other rights and remedies under this Deed of Trust, to enter onto the Mortgaged Property or to take such other actions as it deems necessary or advisable to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any Hazardous Materials or Hazardous Materials Contamination on the Mortgaged Property following receipt of any notice from any person or entity asserting the existence of any Hazardous Materials or Hazardous Materials Contamination pertaining to the Mortgaged Property or any part thereof which, if true, could result in an order, suit, imposition of a lien on the Mortgaged Property, or other action and/or which, in Beneficiary's sole opinion, could jeopardize Beneficiary's security under this Deed of Trust. All necessary and reasonable costs and expenses paid or incurred by Beneficiary in the exercise of any such rights shall become part of the Indebtedness secured by this Deed of Trust and shall be payable by Grantor upon demand.

6.8 For the purposes of this Article, the term "Beneficiary" shall include all subsequent owners or holders of any obligations secured by this Deed of Trust, all directors, officers, employees and agents of such entity and any persons or entities owned or controlled by or affiliated with Beneficiary, and its or their directors, officers, employees and agents. The indemnity provisions of this Article shall survive any exercise of the power of sale granted in this Deed of Trust, any foreclosure of the liens created by this Deed of Trust or conveyance in lieu of foreclosure, and the repayment of the Note and the discharge and release of this Deed of Trust and any other instrument securing the Note.

ARTICLE VII: MISCELLANEOUS

7.1 All of the covenants and agreements of Grantor herein shall survive the execution and delivery of this document and shall continue in force until the Indebtedness is paid in full and a written release hereof is promptly executed by Beneficiary. Accordingly, if Grantor shall perform faithfully each and all of the covenants and agreements herein contained, then, and then only, this conveyance shall become null and void and shall be released in due form upon Grantor's written request and at Grantor's expense. No release of this conveyance or the lien thereof shall be valid unless executed by Beneficiary.

7.2 In the event Beneficiary shall elect to invoke any of the rights or remedies provided for herein, but shall thereafter determine to withdraw or discontinue same for any reason, it shall have the unqualified right to do so, whereupon all parties shall be automatically restored and returned to their respective positions regarding the Indebtedness and this document, as shall have existed prior to the invocation of Beneficiary's rights hereunder and the rights, powers and remedies of Beneficiary hereunder, shall be and remain in full force and effect.

7.3 Any part of the Mortgaged Property may be released by Beneficiary without affecting the lien hereof against the remainder of the Mortgaged Property. The lien and rights granted shall not affect or be affected by any other security taken for the Indebtedness or any part thereof. The taking of additional security, or the extension, renewal or rearrangement of the Indebtedness or any part thereof, shall at no time release or impair the lien and rights granted, or affect the liability of any

endorser or surety, or improve the right of any junior lienholder; and this Deed of Trust, as well as any instrument given to secure any renewal or extension of the Indebtedness, or any part thereof, shall be and remain a first and prior lien on all of the Mortgaged Property not expressly released, until the Indebtedness is completely paid.

7.4 This Deed of Trust, and its validity, enforcement, and interpretation, shall be governed by the applicable laws of the State of Texas and the United States (the "Applicable Law"), without regard to any conflicts of law rules and principles. The invalidity, or unenforceability in particular circumstances of any provision of this Deed of Trust shall not extend beyond such provision or such circumstances and no other provision of this Deed of Trust shall be affected thereby.

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

7.6 It is expressly agreed that (i) no waiver of any default on the part of Grantor or breach of any of the provisions of this Deed of Trust shall be considered a waiver of any other or subsequent default or breach, and no delay or omission in exercising or enforcing the rights and powers herein granted shall be construed as a waiver of such rights and powers, and likewise no exercise or enforcement of any rights or powers hereunder shall be held to exhaust such rights and powers, and every such right and power may be exercised from time to time; (ii) any failure by Beneficiary to insist upon the strict performance by Grantor of any of the terms and provisions hereof shall not be deemed to be a waiver of any of the terms and provisions hereof, and Beneficiary, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by Grantor of

any and all of the terms and provisions of this Deed of Trust; (iii) neither Grantor nor any other person now or hereafter obligated for the payment of the whole or any part of said Indebtedness shall be relieved of such obligation by reason of the failure of Beneficiary or Trustee to comply with any request of Grantor, or of any other person so obligated, to take action to foreclose this Deed of Trust or otherwise enforce any of the provisions of this Deed of Trust or of any obligations secured by this Deed of Trust, or by reason of the release, regardless of consideration, of the whole or any part of the security held for the Indebtedness, or by reason of the subordination in whole or in part by Beneficiary of the lien, security interest or rights evidenced by this Deed of Trust, or by reason of any agreement or stipulation with any subsequent owner or owners of the Mortgaged Property extending the time of payment or modifying the terms of the Indebtedness or this Deed of Trust without first having obtained the consent of Grantor or such other person, and in the latter event, Grantor and all such other persons shall continue liable to make such payments according to the terms of any such agreement of extension or modification unless expressly released and discharged in writing by Beneficiary; (iv) regardless of consideration, and without the necessity for any notice to or consent by the holder of any subordinate lien or security interest on the Mortgaged Property, Beneficiary may release the obligation of anyone at any time liable for any of the Indebtedness or any part of the security held for the Indebtedness and may extend the time of payment or otherwise modify the terms of the Indebtedness and/or this Deed of Trust without, as to the security or the remainder thereof, in anywise impairing or affecting the lien or security interest of this Deed of Trust or the priority of such lien or security interest, as security for the payment of the Indebtedness as it may be so extended or modified, over any subordinate lien or security interest; (v) the holder of any subordinate lien or security interest shall have no right to terminate any lease affecting the Mortgaged Property whether or not such lease is subordinate to this Deed of Trust; and (vi) Beneficiary may resort for the payment of the Indebtedness to any security therefor held by Beneficiary in such order and manner as Beneficiary may elect.

7.7 Except as otherwise provided herein or required by Applicable Law, any notice or communication required or permitted hereunder to be given to either Grantor or Beneficiary pursuant to the terms hereof shall be given in writing, sent by (i) personal delivery, or (ii) expedited delivery service with proof of delivery, or (iii) United States mail, postage prepaid, registered or certified mail, return receipt requested, or (iv) facsimile (provided that such facsimile is confirmed by expedited delivery service or by United States mail in the manner previously described), addressed to Grantor or Beneficiary at the address below or to such other address as either party shall have designated by written notice, sent in accordance with this paragraph; provided, however, no change of address or designation of a different address shall be binding on Beneficiary until 30 days after notice to Beneficiary and any change of address of Beneficiary shall be effective 3 business days after notice thereof to Grantor. Except as provided otherwise, any such notice or communication shall be deemed to have been given and received either at the time of personal delivery, or in the case of mail, as of the date 30 business days after deposit in an official depository of the United States mail, or in the case of either delivery service or facsimile, upon receipt; provided, however, that the time and manner of delivery for all notices given by Beneficiary to Grantor in connection with Beneficiary's exercise of its remedies set forth in Section 3.4 or Article V of this Deed of Trust shall be effective on the date of deposit if mailed and governed by Chapter 51 of the Texas Property Code and Chapter 9 of the Code (as the same may be hereafter amended or succeeded). To the extent actual receipt is required, rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was received shall be deemed to be receipt of the notice, demand, request or other communication sent.

7.8 Wherever used in this document, unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, the words "this Deed of Trust" shall mean "this Deed of Trust and Security Agreement and any supplement or supplements hereto", the words "Grantor" shall mean "Grantor, their respective heirs, legal representatives, successors and assigns, and/or any subsequent owner or owners of the Mortgaged Property", the word "Beneficiary" shall

mean "Beneficiary or any subsequent lawful holder or holders of the Note or other Indebtedness secured hereby", the word "Note" shall mean "Note secured by this Deed of Trust and any renewals, extensions and rearrangements thereof", the word "person" shall mean "an individual, corporation, trust, partnership or unincorporated association", and the pronouns of any gender shall include all other genders, and either the singular or plural shall include the other.

7.9 Notwithstanding anything to the contrary contained in this Deed of Trust, if any person executing this Deed of Trust is a "consumer" as defined in Regulation AA of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 227, or the Federal Trade Commission Credit Practices Rule, 16 C.F.R. Part 444, as applicable, no lien or security interest created or evidenced by this Deed of Trust shall extend to or cover a nonpossessory lien or security interest in "household goods," other than a purchase money lien or security interest, in accordance with such regulations as applicable.

7.10 All rights of Grantor, Trustee and/or Beneficiary under this Deed of Trust shall inure to the benefit of their respective heirs, successors and assigns, and all obligations of such parties shall bind their respective heirs, representatives, successors and/or assigns. If this Deed of Trust is executed by more than one Grantor, the representations, covenants and obligations of each party constituting Grantor shall be joint and several.

7.11 This Deed of Trust may be executed by email or facsimile (faxed) signatures and in several or separate counterparts, each of which shall be an original, but all of which, taken together, shall be deemed to constitute one and the same agreement. Production of any counterpart other than the one to be enforced shall not be required.

7.12 The Note is given as a part of the purchase price of the Mortgaged Property. This Deed of Trust is in addition to the Vendor's Lien retained in a Deed of even date herewith to Grantor, securing the payment of the Note. It is expressly agreed that the Vendor's Lien shall not operate as a waiver of the lien created by this Deed of Trust, it being agreed that said lien and rights created by this instrument shall be cumulative and in addition to the Vendor's Lien in the Deed and that the owner or holder of the Note may foreclose under either or both as he or it may elect, without waiving the other. Grantor expressly confesses, recognizes and acknowledges a vendor's lien on the Mortgaged Property as security for the Indebtedness.

[Remainder of Page Intentionally Left Blank]

**SIGNATURE PAGE TO
DEED OF TRUST AND SECURITY AGREEMENT**

IN WITNESS WHEREOF, the undersigned has duly executed this Deed of Trust as of the date(s) of the acknowledgment(s) set forth below, to be effective for all purposes, however, as of the date first above written.


GRANTOR:

NERRO SUPPLY, LLC


By: _____


Gregory P. Pappas, Manager

THE STATE OF TEXAS

COUNTY OF HARRIS 

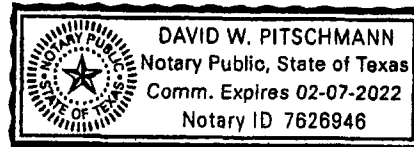
This instrument was acknowledged before me on the 13th day of March, 2019, by Gregory P. Pappas, Manager, for and on behalf of NERRO SUPPLY, LLC, a Texas limited liability company.



NOTARY PUBLIC, STATE OF TEXAS

MAILING ADDRESS OF GRANTOR:

NERRO SUPPLY, LLC
11131 McCracken Circle, Suite A
Cypress, Texas 77429



MAILING ADDRESS OF BENEFICIARY:

ALLEGIANCE BANK
8727 West Sam Houston Parkway North
Houston, Texas 77040

MAILING ADDRESS OF TRUSTEE:

RAMON A. VITULLI, III
ALLEGIANCE BANK
8727 West Sam Houston Parkway North
Houston, Texas 77040

AFTER RECORDING, RETURN TO:

ALAMO TITLE COMPANY
1800 Bering Drive, Suite 150
Houston, Texas 77057
Attn: David Pitschmann/Pamela Hodge
G. F. No. ATCH18078376DP

EXHIBIT "A"
Legal Description

TRACT 1:

BEING A 0.300 ACRE TRACT OR PARCEL OF LAND SITUATED IN THE WILLIAM COOPER SURVEY, ABSTRACT NO. 213, HARRIS COUNTY, TEXAS, AND BEING A PORTION OF A CALLED 160 ACRE TRACT AS DESCRIBED IN DEED RECORDED IN VOLUME 1915 PAGE 345 OF THE DEED RECORDS OF HARRIS COUNTY, TEXAS, SAID 0.300 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT A POINT FOR CORNER FOR THE SOUTHWEST CORNER OF THE SAID CALLED 160 ACRE TRACT, ON THE NORTH LINE OF ZAKA ROAD, 50' WIDE; THENCE EAST ALONG THE NORTH LINE OF ZAKA ROAD, A CALLED DISTANCE OF 1693.27 FEET, TO A POINT FOR CORNER; THENCE NORTH, A CALLED DISTANCE OF 314.00 FEET, TO A POINT FOR CORNER;

THENCE EAST, A CALLED DISTANCE OF 410.22 FEET, TO A POINT FOR CORNER; THENCE NORTH, A CALLED DISTANCE OF 346.32 FEET, TO A POINT FOR CORNER FOR THE SOUTHEAST CORNER AND POINT OF BEGINNING OF THE HEREIN DESCRIBED TRACT;

THENCE N 89°23'23" W, CALLED WEST, PASSING AT 98.61 FEET A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET ON THE EAST LINE OF A 25 FEET WIDE ROAD EASEMENT FOR RUSTLING MAPLE DRIVE, AND CONTINUING FOR A TOTAL DISTANCE OF 123.61 FEET, CALLED 125.08 FEET, TO A PK NAIL SET IN ASPHALT FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE NORTH, ALONG THE CENTERLINE OF RUSTLING MAPLE DRIVE EASEMENT, A DISTANCE OF 105.66 FEET TO A PK NAIL FOUND FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT; THENCE S 89°23'23" E, CALLED EAST, PASSING AT 25.00 FEET, A FOUND 5/8" IRON ROD ON THE EAST LINE OF SAID RUSTLING MAPLE DRIVE EASEMENT, FROM WHICH A FOUND 5/8" IRON ROD BEARS NORTH A DISTANCE OF 105.66 FEET, AND CONTINUING FOR A TOTAL DISTANCE OF 123.61 FEET, CALLED 125.08 FEET, TO A POINT FOR CORNER FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED TRACT, FROM WHICH A FOUND 1" IRON PIPE BEARS NORTH A DISTANCE OF 105.66 FEET;

THENCE SOUTH, A DISTANCE OF 105.66 FEET, TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 0.300 ACRE OF LAND.

NOTE: The Company is prohibited from insuring the area or quantity of the Land. Any statement in the legal description contained in Schedule "A" as to area or quantity of land is not a representation that such area or quantity is correct but is for informal identification purposes and does not override Item 2 of Schedule B hereof.

TRACT 2:

BEING A 0.138 ACRE TRACT SITUATED IN THE WILLIAM COOPER SURVEY, ABSTRACT NO. 213, HARRIS COUNTY, TEXAS, AND BEING A PORTION OF A CALLED 160 ACRE TRACT AS DESCRIBED IN DEED RECORDED IN VOLUME 1915 PAGE 345 OF THE DEED RECORDS OF HARRIS COUNTY, TEXAS, SAID 0.138 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET FOR THE INTERSECTION OF THE EAST LINE OF SUGAR MAPLE DRIVE, 50' WIDE, AND THE NORTH LINE OF ZAKA ROAD, 50' WIDE, FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT, FROM WHICH THE SOUTHWEST CORNER OF THE SAID CALLED 160 ACRE TRACT BEARS A CALLED BEARING AND DISTANCE OF WEST 1433.27 FEET;

THENCE NORTH, ALONG THE EAST LINE OF SUGAR MAPLE DRIVE, A DISTANCE OF 100.00 FEET, TO A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT; THENCE EAST, A DISTANCE OF 60.00 FEET, TO A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE SOUTH, A DISTANCE OF 100.00 FEET, TO POINT FOR CORNER UNDER A JUNK CAR, ON THE NORTH LINE OF ZAKA ROAD, FOR THE SOUTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

EXHIBIT "A"
Legal Description

THENCE WEST, ALONG THE NORTH LINE OF ZAKA ROAD, A DISTANCE OF 60.00 FEET, TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 0.138 ACRE OF LAND.

NOTE: The Company is prohibited from insuring the area or quantity of the Land. Any statement in the legal description contained in Schedule "A" as to area or quantity of land is not a representation that such area or quantity is correct but is for informal identification purposes and does not override Item 2 of Schedule B hereof.

TRACT 3:

BEING A 0.041 ACRE TRACT SITUATED IN THE WILLIAM COOPER SURVEY, ABSTRACT NO. 213, HARRIS COUNTY, TEXAS, AND BEING CALLED THE NORTH 40.98 FEET OF THE WEST 43 FEET OF OAKLAND VILLAGE, AN UNRECORDED SUBDIVISION IN SAID SURVEY, SAID 0.041 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1/2" IRON ROD FOUND ON THE SOUTH LINE OF ZAKA ROAD, 50' WIDE, FOR THE NORTHWEST CORNER OF SAID OAKLAND VILLAGE, FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE EAST, CALLED N 89°59'00" E, ALONG THE SOUTH LINE ZAKA ROAD, A DISTANCE OF 43.00 FEET, TO A 1/2" IRON ROD FOUND FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE S 00°09'14" E, CALLED S 00°00'49" E, A DISTANCE OF 40.96 FEET, CALLED 40.98 FEET, TO A 1/2" IRON ROD FOUND FOR THE SOUTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE WEST, CALLED N 89°59'59" W, A DISTANCE OF 43.00 FEET, TO A 1/2" IRON ROD FOUND FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

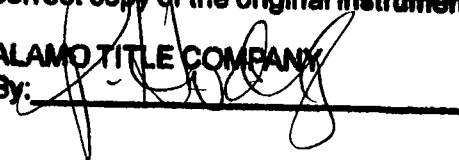
THENCE N 00°03'24" E, CALLED N 00°00'49" E, A DISTANCE OF 41.22 FEET, CALLED 40.98 FEET, TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 0.041 ACRE OF LAND.

NOTE: The Company is prohibited from insuring the area or quantity of the Land. Any statement in the legal description contained in Schedule "A" as to area or quantity of land is not a representation that such area or quantity is correct but is for informal identification purposes and does not override Item 2 of Schedule B hereof.

TRACT 4:

We hereby certify that this is a true and correct copy of the original instrument

ALAMO TITLE COMPANY

By: 

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

ASSIGNMENT OF LEASES AND RENTS

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This Assignment of Leases and Rents ("Assignment") is entered into effective as of March 13, 2019, from NERRO SUPPLY, LLC, a Texas limited liability company (the "Owner") to ALLEGIANCE BANK (the "Lender").

RECITALS:

A. Owner has applied to Lender for a loan in the original principal amount of \$2,900,000.00 (the "Loan").

B. As a condition of the Loan, Lender requires Owner to transfer and assign to Lender, all of the rights of Owner, as lessor and landlord, in and to all rents, income, profits, benefits, advantages and guarantees, of every nature whatsoever, including all security deposits and other security therefor (collectively, the "Rents") to arise, accrue and be derived from any and all lease agreements (collectively, the "Leases") either presently or in the future in effect, whether written or oral, or any letting of or any agreement for the use or occupancy of any part of the certain real property located in Harris County, Texas described in the attached Exhibit "A" (the "Property").

C. Recognizing that but for this Assignment, Lender will not advance the funds represented by the Loan to Owner, Owner and Lender desire to confirm their understanding with respect to the assignment of the Leases and Rents.

AGREEMENT:

NOW, THEREFORE, in consideration of \$10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and Lender agree as follows:

1. **Assignment.** Owner hereby GRANTS, TRANSFERS and ASSIGNS unto Lender, all of the Leases and Rents arising from the Property. Owner and Lender intend that this Assignment constitutes an assignment and security interest with regard to the Rents and Leases under Texas Property Code, Chapter 64, and a security agreement within the meaning of Chapter 9 of the Texas Business and Commerce Code.

2. **Indebtedness.** This Assignment is given as part of the consideration for the Loan and all other indebtedness owing by Owner to Lender, including, but not limited to, the following (collectively, the "Indebtedness"):

- (a) Promissory Note of even date herewith (the "Note"), executed by Owner and payable to the order of Lender, in the amount of the Loan, bearing interest and being payable as therein provided, together with all modifications, renewals, rearrangements and extensions thereof.

- (b) Performance of all obligations of Owner under any instrument or agreement between Owner and Lender or among Owner, Lender and any third party pertaining to or securing the payment of the Note, including but not limited to the Loan Agreement ("Loan Agreement") of even date herewith, by and between Owner and Lender, together with all funds advanced by Lender to or for the benefit of Owner pursuant hereto or any other document securing or relating to the Indebtedness.
- (c) All other debts, obligations and liabilities of Owner to Lender of whatever kind or character, whether now existing or hereafter arising, secured or unsecured, direct or indirect, fixed or contingent, primary or secondary, joint or several or both, including, without limitation, all present and future debts, obligations and liabilities of Owner (i) as principal, surety, endorser, guarantor, accommodation party or otherwise, (ii) arising by operation of law or otherwise, (iii) as a member of any partnership, joint venture, firm, trust or other association, or (iv) payable to or in favor of third parties and hereafter acquired by Lender with or without the knowledge, consent or insistence of Owner. The payment of all such debts, obligations and liabilities of Owner shall not terminate this Assignment unless the lien created hereby is released by Lender, it being contemplated that Owner may from time to time become additionally indebted to Lender, all of which indebtedness shall be secured by this Assignment until the lien hereof is released by Lender.

3. **Representations and Warranties.** Owner represents and warrants that: (a) it owns the entire lessor's or landlord's interest in the Leases; (b) it has all necessary right, power and authority to make this Assignment; (c) the Leases are valid and enforceable and have not been altered, modified or amended in any manner whatsoever save as set forth therein; (d) the Lessees named therein are not in default under any of the terms, covenants or conditions thereof; (e) no Rents reserved in the Leases have been assigned or anticipated; and (f) no Rents for any period subsequent to the date of this Assignment have been collected in advance of the time when the same became due under the terms of the Leases in excess of one month, except prepayments in the nature of security for the performance of the lessee thereunder.

4. **Covenants.** Owner covenants (a) to observe and perform all of the obligations imposed upon the lessor or landlord in the Leases and not to do or permit to be done anything to impair the security thereof; (b) that no Rents reserved in the Leases will be anticipated or assigned; (c) not to collect any of the Rents accruing or to be derived from the Property in advance of the time when the same shall become due under the terms of the Leases in excess of one month, except prepayments in the nature of security for the performance of the lessee thereunder; (d) not to discount any future accruing Rents without first obtaining Lender's approval, such approval not to be unreasonably withheld, conditioned or delayed; (e) except where consistent with prudent business practices and in connection with a default by tenant thereunder, not to terminate or consent to the cancellation or surrender of any of the Leases, now or hereafter existing, except that any of the Leases may be canceled, provided that after the cancellation or surrender thereof, Owner shall use commercially reasonable efforts to secure a new lease with a new lessee having a credit standing, in the reasonable judgment of Lender, at least equivalent to that of the lessee whose lease was canceled, on substantially the same or better terms as the terminated or canceled lease, (f) except where consistent with prudent business practices, not to modify any of the Leases so as to shorten the unexpired term thereof or so as to decrease the amount of rent payable thereunder, and (g) not to execute any other assignment relating to the Rents, Leases or Property, except with the prior written consent of Lender.

5. **Revocable License.** Prior to the occurrence of any Event of Default (as defined below), and the expiration of any right to cure period in the Loan Agreement, Owner shall have a revocable license to collect, as trustee for the benefit of Lender, but not prior to their accrual, all of the Rents from the Leases and the Property. Owner hereby covenants to apply the Rents first, to the payment of interest and principal becoming due on the account of the Indebtedness, to the

satisfaction and discharge of the taxes and assessments upon the Property before payment of penalty or interest are due thereon, to the cost of such insurance, maintenance and repairs as may be required by the terms of the documents securing the Indebtedness and in satisfaction of all obligations under the Leases, all prior to the application by Owner of the Rents for any other purposes. Thereafter, Owner may use the balance of the Rents collected in any manner not inconsistent with the documents securing the Indebtedness. As used herein, the term "Event of Default" shall have the meaning assigned to such terms in the Loan Agreement.

6. **Termination of License.** Upon or at any time during the continuance of any Event of Default herein and the expiration of any right to cure period in the Loan Agreement, the license given by Lender to Owner above, shall, at the election of Lender, terminate and Lender, without in any way waiving such Event of Default, shall, at Lender's option, without the necessity of Lender entering upon and taking possession of the Property in person, by agent or court appointed receiver, immediately be entitled to possession of all Rents as the same become due and payable, including without limitation, Rents then due and unpaid, and all such Rents shall, immediately upon delivery of notice to Owner, be held by Owner as trustee for the benefit of Lender only. Owner agrees that commencing upon delivery of written notice, each tenant of the Property shall make the Rents payable to and pay such Rents to Lender or Lender's agents. Lender may make written demand to each tenant therefor either by delivering to each tenant personally, by mail or by delivering such demand to each rental unit, without any liability on the part of any tenant to inquire further as to the Event of Default. Lender shall apply such Rents to the payment in such order or priority as to any of the following items as Lender, in Lender's sole, but reasonable, discretion, may determine, any statute, law, custom or use to the contrary notwithstanding: (a) the reasonable cost of all such operations, renovations, repairs and replacements and expenses incident to the taking and retaining possession of the Property and the management and operation thereof, (b) all taxes, charges, claims, assessments, water rents and any other liens which may be prior in lien or payment to the Indebtedness evidenced by the Note, and premiums for insurance maintained with respect to the Property, with interest on all such items, and (c) on the Indebtedness, together with all costs and attorney's fees reasonably incurred by Lender.

7. **Remedies.** Upon the occurrence of any Event of Default and the expiration of any right to cure period in the Loan Agreement, Lender may in person, by agent or by a court appointed receiver, regardless of the adequacy of Lender's security, enter upon and take possession of the Property or any part thereof, in order to perform all acts necessary and appropriate for the operation and maintenance thereof, including, without limitation, the execution, cancellation or modification of the Leases, the collection of Rents, the making of repairs to the Property, and the execution or termination of contracts provided for the management or maintenance of the Property, all on such terms as are deemed best to protect the Property. In the event Lender elects to seek the appointment of a receiver for the Property in accordance with this paragraph, Owner consents to the appointment of such receiver. Lender or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

8. **Cost of Collection.** If the Rents are not sufficient to meet the costs, if any, of taking control of and managing the Property and collecting the Rents, any funds expended by Lender for such purposes shall become part of the Indebtedness. Unless Lender and Owner agree in writing to other terms of payment, such amount shall be payable upon notice from Lender to Owner requesting payment thereof and shall accrue interest from the date of such disbursement at the rate stated in the Note, unless payment of such interest at such rate shall be contrary to applicable law, in which event such amount shall bear interest at the highest rate allowed under applicable law.

9. **No Excuse of Performance; Waiver.** No consent or waiver, express or implied, by Lender to or of any breach or default in the payment of the Indebtedness secured hereby or in the performance of any obligation, covenant herein shall be deemed a consent or waiver to any subsequent breach or default. Failure on the part of Lender to complain of, or to exercise any rights granted upon, any breach or default, irrespective of how long such failure continues, shall not constitute a waiver by Lender of Lender's rights hereunder. Lender may take or release other security, may release any party primarily or secondarily liable for any Indebtedness, may grant

extensions, renewals or indulgences with respect to such Indebtedness, and may apply any other security therefor held by Lender to the satisfaction of such Indebtedness without prejudice to any of Lender's rights hereunder. Nothing herein contained and no act done or admitted by Lender pursuant to the powers and rights granted Lender herein shall be deemed to be a waiver by Lender of Lender's rights and remedies under the Note and any instrument securing its payment, but this Assignment is made and accepted without prejudice to any of the rights and remedies possessed by Lender to collect the Indebtedness and any security therefor owned by Lender may be exercised by Lender either prior to, simultaneously with, or subsequent to any action taken by Lender hereunder.

10. **Lender's Obligations and Owner's Indemnity.** Lender shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge any obligation, duty or liability under the Leases, or under this Assignment, and Owner shall and does hereby agree, provided that Owner does not and shall not indemnify Lender for Lender's fraud, willful misconduct, or negligence, to indemnify Lender for and to hold Lender harmless of and from any and all liability, loss or damage, which Lender may or might incur under any of the Leases or under or by reason of this Assignment and of and from any and all claims and demand whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in the Leases. This indemnity shall not extend to or cover acts of fraud, willful misconduct, or gross negligence by Lender. Should Lender incur any such liability, loss or damage under the Leases, or under or by reason of this Assignment, or in defense of any such claims or demands, the amount thereof, including all reasonable costs, expenses and reasonable attorney's fees, shall be secured hereby and Owner shall reimburse Lender therefor immediately upon demand.

11. **Release of Assignment.** Upon the payment in full of all Indebtedness secured hereby, this Assignment shall become and be void and of no force and effect, but the affidavit, certificate, letter or statement of any officer of Lender showing any part of the Indebtedness remaining unpaid shall be and constitute conclusive evidence of the validity, effectiveness and continuing force of this Assignment, and any person may and is hereby authorized to rely thereon. The release of the Deed of Trust and Security Agreement (the "Deed of Trust") of even date herewith, executed by Owner for the benefit of Lender, shall constitute release and cancellation of this Assignment.

12. **Rights Cumulative; Conflict.** The assignment of the Leases and Rents contained in this Assignment is in addition to and not in lieu of, the collateral conveyance contained in the Deed of Trust securing the Note. It is the intent of Owner and Lender that no conflict exist between the assignment contained in this Assignment and the collateral conveyance contained in the Deed of Trust. However, if and to the extent a conflict is perceived to exist as to the Leases or the Rents, such conflict shall be resolved in favor of the assignment in this Assignment.

13. **Successors and Assigns.** This Assignment shall be binding upon Owner, Owner's heirs, representatives, successors and/or permitted assigns, and all parties claiming or occupying the Property or any portion thereof, by, through or under Owner. The rights herein granted shall extend to Lender and Lender's successors and assigns. Whenever used in this document, unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, the pronouns of any gender shall include all other genders, and either the singular or plural shall include the other.

14. **Invalid Provisions.** If any provision of this Assignment or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Assignment and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforceable to the maximum extent permitted by applicable law.

15. **Applicable Law.** THE LAWS OF THE STATE OF TEXAS SHALL APPLY TO THIS ASSIGNMENT AND ITS CONSTRUCTION AND INTERPRETATION SHALL BE ENFORCEABLE IN HARRIS COUNTY, TEXAS.

16. **Notice.** Except as otherwise provided herein, all notices, demands, requests, and other communications required or permitted hereunder shall be given in writing and sent by (i) personal delivery, or (ii) expedited delivery service with proof of delivery, or (iii) United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the addressee at such party's address set forth in the Note, or to such other address as such party may specify by written notice, sent in accordance with this paragraph. Any such notice or communication shall be deemed to have been given and received either at the time of personal delivery, or in the case of mail, as of the date 3 business days after deposit in an official depository of the United States mail, or in the case of delivery service, upon receipt. To the extent actual receipt is required, rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was received shall be deemed to be receipt of the notice, demand, request or other communication sent.

17. **Counterparts.** This Assignment may be executed by email or facsimile (faxed) signatures and in several or separate counterparts, each of which shall be an original, but all of which, taken together, shall be deemed to constitute one and the same agreement. Production any counterpart other than the one to be enforced shall not be required.

[Remainder of Page Intentionally Left Blank]

**SIGNATURE PAGE TO
ASSIGNMENTS OF LEASES AND RENTS**

IN WITNESS WHEREOF, the undersigned has duly executed this Assignment as of the date of the acknowledgment set forth below, to be effective for all purposes, however, as of the date first above written.

OWNER:


NERRO SUPPLY, LLC

By: _____


Gregory P. Pappas, Manager

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

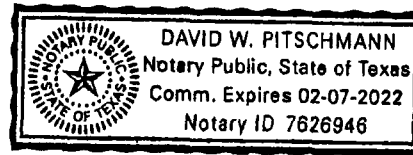
This instrument was acknowledged before me on March 13, 2019, by Gregory P. Pappas, Manager, for and on behalf of NERRO SUPPLY, LLC, a Texas limited liability company.



NOTARY PUBLIC, STATE OF TEXAS

ADDRESS OF OWNER:

NERRO SUPPLY, LLC
11131 McCracken Circle, Suite A
Cypress, Texas 77429



ADDRESS OF LENDER:

ALLEGIANCE BANK
8727 West Sam Houston Parkway North
Houston, Texas 77040

AFTER RECORDING, RETURN TO:

ALAMO TITLE COMPANY
1800 Bering Drive, Suite 150
Houston, Texas 77057
Attn: David Pitschmann/Pamela Hodge
G. F. No. ATCH18078376DP

EXHIBIT "A"
Legal Description

TRACT 1:

BEING A 0.300 ACRE TRACT OR PARCEL OF LAND SITUATED IN THE WILLIAM COOPER SURVEY, ABSTRACT NO. 213, HARRIS COUNTY, TEXAS, AND BEING A PORTION OF A CALLED 160 ACRE TRACT AS DESCRIBED IN DEED RECORDED IN VOLUME 1915 PAGE 345 OF THE DEED RECORDS OF HARRIS COUNTY, TEXAS, SAID 0.300 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT A POINT FOR CORNER FOR THE SOUTHWEST CORNER OF THE SAID CALLED 160 ACRE TRACT, ON THE NORTH LINE OF ZAKA ROAD, 50' WIDE; THENCE EAST ALONG THE NORTH LINE OF ZAKA ROAD, A CALLED DISTANCE OF 1693.27 FEET, TO A POINT FOR CORNER; THENCE NORTH, A CALLED DISTANCE OF 314.00 FEET, TO A POINT FOR CORNER;

THENCE EAST, A CALLED DISTANCE OF 410.22 FEET, TO A POINT FOR CORNER; THENCE NORTH, A CALLED DISTANCE OF 346.32 FEET, TO A POINT FOR CORNER FOR THE SOUTHEAST CORNER AND POINT OF BEGINNING OF THE HEREIN DESCRIBED TRACT;

THENCE N 89°23'23" W, CALLED WEST, PASSING AT 98.61 FEET A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET ON THE EAST LINE OF A 25 FEET WIDE ROAD EASEMENT FOR RUSTLING MAPLE DRIVE, AND CONTINUING FOR A TOTAL DISTANCE OF 123.61 FEET, CALLED 125.08 FEET, TO A PK NAIL SET IN ASPHALT FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE NORTH, ALONG THE CENTERLINE OF RUSTLING MAPLE DRIVE EASEMENT, A DISTANCE OF 105.66 FEET TO A PK NAIL FOUND FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT; THENCE S 89°23'23" E, CALLED EAST, PASSING AT 25.00 FEET, A FOUND 5/8" IRON ROD ON THE EAST LINE OF SAID RUSTLING MAPLE DRIVE EASEMENT, FROM WHICH A FOUND 5/8" IRON ROD BEARS NORTH A DISTANCE OF 105.66 FEET, AND CONTINUING FOR A TOTAL DISTANCE OF 123.61 FEET, CALLED 125.08 FEET, TO A POINT FOR CORNER FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED TRACT, FROM WHICH A FOUND 1" IRON PIPE BEARS NORTH A DISTANCE OF 105.66 FEET;

THENCE SOUTH, A DISTANCE OF 105.66 FEET, TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 0.300 ACRE OF LAND.

NOTE: The Company is prohibited from insuring the area or quantity of the Land. Any statement in the legal description contained in Schedule "A" as to area or quantity of land is not a representation that such area or quantity is correct but is for informal identification purposes and does not override Item 2 of Schedule B hereof.

TRACT 2:

BEING A 0.138 ACRE TRACT SITUATED IN THE WILLIAM COOPER SURVEY, ABSTRACT NO. 213, HARRIS COUNTY, TEXAS, AND BEING A PORTION OF A CALLED 160 ACRE TRACT AS DESCRIBED IN DEED RECORDED IN VOLUME 1915 PAGE 345 OF THE DEED RECORDS OF HARRIS COUNTY, TEXAS, SAID 0.138 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET FOR THE INTERSECTION OF THE EAST LINE OF SUGAR MAPLE DRIVE, 50' WIDE, AND THE NORTH LINE OF ZAKA ROAD, 50' WIDE, FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT, FROM WHICH THE SOUTHWEST CORNER OF THE SAID CALLED 160 ACRE TRACT BEARS A CALLED BEARING AND DISTANCE OF WEST 1433.27 FEET;

THENCE NORTH, ALONG THE EAST LINE OF SUGAR MAPLE DRIVE, A DISTANCE OF 100.00 FEET, TO A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT; THENCE EAST, A DISTANCE OF 60.00 FEET, TO A 1/2" IRON ROD WITH PLASTIC CAP STAMPED "RPLS 4980" SET FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE SOUTH, A DISTANCE OF 100.00 FEET, TO POINT FOR CORNER UNDER A JUNK CAR, ON THE NORTH LINE OF ZAKA ROAD, FOR THE SOUTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

EXHIBIT "A"
Legal Description

THENCE WEST, ALONG THE NORTH LINE OF ZAKA ROAD, A DISTANCE OF 60.00 FEET, TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 0.138 ACRE OF LAND.

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TRACT 3:

BEING A 0.041 ACRE TRACT SITUATED IN THE WILLIAM COOPER SURVEY, ABSTRACT NO. 213, HARRIS COUNTY, TEXAS, AND BEING CALLED THE NORTH 40.98 FEET OF THE WEST 43 FEET OF OAKLAND VILLAGE, AN UNRECORDED SUBDIVISION IN SAID SURVEY, SAID 0.041 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A 1/2" IRON ROD FOUND ON THE SOUTH LINE OF ZAKA ROAD, 50' WIDE, FOR THE NORTHWEST CORNER OF SAID OAKLAND VILLAGE, FOR THE NORTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE EAST, CALLED N 89°59'00" E, ALONG THE SOUTH LINE ZAKA ROAD, A DISTANCE OF 43.00 FEET, TO A 1/2" IRON ROD FOUND FOR THE NORTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE S 00°09'14" E, CALLED S 00°00'49" E, A DISTANCE OF 40.96 FEET, CALLED 40.98 FEET, TO A 1/2" IRON ROD FOUND FOR THE SOUTHEAST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE WEST, CALLED N 89°59'59" W, A DISTANCE OF 43.00 FEET, TO A 1/2" IRON ROD FOUND FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE N 00°03'24" E, CALLED N 00°00'49" E, A DISTANCE OF 41.22 FEET, CALLED 40.98 FEET, TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 0.041 ACRE OF LAND.

NOTE: The Company is prohibited from insuring the area or quantity of the Land. Any statement in the legal description contained in Schedule "A" as to area or quantity of land is not a representation that such area or quantity is correct but is for informal identification purposes and does not override Item 2 of Schedule B hereof.

TRACT 4:

We hereby certify that this is a true and correct copy of the original instrument

ALAMO TITLE COMPANY

By: 

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

DEED OF TRUST AND SECURITY AGREEMENT

THE STATE OF TEXAS

§
§
§
§
§

COUNTY OF CHAMBERS

This Deed of Trust and Security Agreement ("Deed of Trust") is entered into effective as of March 13, 2019, from NERRO SUPPLY, LLC, a Texas limited liability company (the "Grantor," whether one or more), to RAMON A. VITULLI, III, TRUSTEE (the "Trustee"), for the benefit of ALLEGIANCE BANK (the "Beneficiary").

NOW, THEREFORE, in consideration of the sum of \$10.00, and other good and valuable consideration, including the uses, purposes and trusts hereinafter set forth, the receipt and sufficiency of which are acknowledged, Grantor has GRANTED, SOLD and CONVEYED, and by these presents GRANTS, SELLS and CONVEYS to Trustee, and his substitutes or successors, (a) all of the certain real property situated in Chambers County, Texas, described in the attached Exhibit "A" (sometimes called the "Land"); (b) all rights, titles, interests, estates, reversions and remainders now owned or hereafter acquired by Grantor in and to the Land; (c) all buildings and improvements now or hereafter located on the Land; (d) all rights, titles and interests now owned or hereafter acquired by Grantor in and to all easements, streets and rights-of-way of every kind and nature next to or adjoining the Land, and all public or private utility connections, appurtenances, servitudes, rights, ways, privileges and prescriptions thereto; (e) all rights, titles and interests of Grantor in and to any and all licenses, permits, franchises, certificates, utility commitments and/or reservations, wastewater capacity reservations, sewage treatment capacity, waste capacity, utilities and other rights and privileges issued by any person or entity relating directly or indirectly to the Land or improvements; (f) all equipment and fixtures (collectively, the "Fixtures") that are now owned or hereafter acquired by Grantor and now or hereafter permanently affixed to the Land and used or usable for any present or future operation of any building or buildings now or hereafter located on the Land, including without limitation, all rights, titles and interests of Grantor in and to any Fixtures that may be subject to any title retention or security agreement superior in lien or security interest to the lien or security interest of this Deed of Trust; (g) all rights, titles and interests of Grantor in and to all timber to be cut from the Land and all minerals in, under, and upon, produced and to be produced from the Land; (h) all rights, titles and interests of Grantor now owned or hereafter acquired in and to the following: (1) all contracts, subcontracts, plans and specifications relating to the improvements; (2) all proceeds arising from or by virtue of the sale, lease or other disposition of any of the real property described herein; (3) all proceeds (including premium refunds) payable or to be payable under each policy of insurance relating to the Land or the improvements; and (4) all proceeds arising from the taking of all or any part of the Land or any rights appurtenant thereto, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law, or by right of eminent domain, or by private or other purchase in lieu thereof; and (i) without limiting the foregoing, any and all rights, royalties, rents, revenues, benefits, leases, contracts, tenements, hereditaments and appurtenances now owned or hereafter acquired by Grantor appertaining to, generated from, arising out of or belonging to any of the foregoing ((h) and (i) being collectively the "Personalty") and (all of the foregoing, (a) through (i) inclusive, collectively, the "Mortgaged Property"). Notwithstanding the foregoing, at any time that any improvements on the Mortgaged Property are located in a special flood hazard area (Zone A or V) designated by the Administrator of the Federal Emergency Management Agency (FEMA) any tangible personal property included

in the Mortgaged Property is limited to only those items specifically covered (now or hereafter) by Coverage A of the standard flood insurance policy issued in accordance with the National Flood Insurance Program or under equivalent coverage similarly issued by a private insurer to satisfy the National Flood Insurance Act (as amended).

TO HAVE AND TO HOLD the Mortgaged Property to Trustee, his successors in this trust and his assigns, forever, and Grantor binds Grantor, his respective heirs, legal representatives, successors, and assigns, to warrant and forever defend the Mortgaged Property to Trustee, his successors and assigns, forever, against the claim or claims, of all persons whomsoever claiming or to claim the same or any part thereof, subject to the exceptions in the Loan Policy of Title Insurance provided by Grantor to Beneficiary.

ARTICLE I: INDEBTEDNESS SECURED

1.1 This conveyance is made in TRUST to secure payment of all of the following obligations (collectively called the "Indebtedness"):

A. Promissory Note of even date herewith (the "Note"), in the principal amount of \$1,200,000.00, executed by Grantor and payable to the order of Beneficiary, bearing interest and being payable as therein provided, together with all modifications, renewals, rearrangements and extensions of the Note.

B. Performance of all obligations of Grantor under any instrument or agreement between Grantor and Beneficiary, or among Grantor, Beneficiary and any third party, pertaining to or securing the payment of the Note, including but not limited to the Loan Agreement ("Loan Agreement") of even date herewith, by and between Grantor and Beneficiary, together with all funds advanced by Beneficiary to or for the benefit of Grantor pursuant hereto or any other document securing or relating to the Indebtedness.

C. All other debts, obligations and liabilities of Grantor to Beneficiary of whatever kind or character, whether now existing or hereafter arising, secured or unsecured, direct or indirect, fixed or contingent, primary or secondary, joint or several or both, including, without limitation, all present and future debts, obligations and liabilities of Grantor (i) as principal, surety, endorser, guarantor, accommodation party or otherwise, (ii) arising by operation of law or otherwise, (iii) as a member of any partnership, joint venture, firm, trust or other association, or (iv) payable to or in favor of third parties and hereafter acquired by Beneficiary with or without the knowledge, consent or insistence of Grantor. The payment of all such debts, obligations and liabilities of Grantor shall not terminate this Deed of Trust unless the lien is released by Beneficiary, it being contemplated that Grantor may from time to time become additionally indebted to Beneficiary, all of which indebtedness shall be secured by this Deed of Trust until the lien hereof is released by Beneficiary.

1.2 Provided, however, the term "Indebtedness" as defined in Section 1.1 above, shall in no event include, nor shall this Deed of Trust secure, the payment of any installment loans or open-end lines of credit established under Chapter 342, or Chapter 346 of the Texas Finance Code.

1.3 The Indebtedness shall be payable at the address specified in the Note until Beneficiary gives written notice to Grantor designating another place of payment. Unless otherwise provided in the instrument evidencing any of the Indebtedness, all portions of the Indebtedness shall bear interest from the due date thereof until paid at the same rate per annum as provided in the Note for interest accruing on past due amounts.

1.4 All payments received by Beneficiary, however designated, shall be applied to the principal or interest of the Indebtedness or to expenses provided for herein, or any combination of the foregoing, as directed by Beneficiary in accordance with the provisions of the Note.

ARTICLE II: COVENANTS OF GRANTOR

2.1 In order to better secure the payment of the Indebtedness, Grantor covenants, represents, warrants and agrees with Beneficiary and Trustee as follows:

A. Grantor will pay all of the Indebtedness, together with the interest and other appurtenant charges thereon, when the same shall become due, in accordance with the terms of the Note, or other instruments evidencing the Indebtedness or evidencing any renewal or extension of the same, or any part thereof.

B. Grantor represents and warrants that Grantor has good and indefeasible title in fee simple to the Mortgaged Property which is free from encumbrance superior to the liens and security interests hereby created, except those shown of record in the Real Property Records of the county where the Land is located, unless otherwise herein provided, and has the full right and authority to make this conveyance. Grantor agrees to maintain and preserve Grantor's legal existence and all related rights, franchises and privileges. If Grantor is an entity other than an individual, Grantor shall not amend its Articles of Organization or change its name or identity without Beneficiary's prior written consent, which consent shall not be unreasonably withheld, delayed, or conditioned; and in such event, Grantor agrees to execute and deliver to Beneficiary such instruments and assurances as Beneficiary may reasonably require and pay all reasonable fees and expenses incurred by Beneficiary in connection therewith. For purposes hereof, the term "Articles of Organization" shall mean (i) Grantor's Articles of Incorporation or Certificate of Formation and By-Laws if Grantor is a corporation, (ii) Grantor's Partnership Agreement or Joint Venture Agreement if Grantor is a general partnership or joint venture, (iii) Grantor's Certificate of Limited Partnership or Certificate of Formation and Limited Partnership Agreement if Grantor is a limited partnership, (iv) Grantor's Trust Agreement if Grantor is a trust, or (v) Grantor's Articles of Organization or Certificate of Formation and Company Agreement if Grantor is a limited liability company.

C. Grantor shall promptly obtain and deliver to Beneficiary copies of insurance policies with premiums paid providing extended coverage for all buildings and other property covered by this Deed of Trust against personal injury and death, loss by fire and such other hazards, casualties, and contingencies and such other risks or hazards as are presently included in the Causes of Loss of Special form (tornado) (ISO Form CP 1030 or equivalent) as specified in the Loan Agreement and as Beneficiary may reasonably require, all in amounts approved by Beneficiary not exceeding 100% of the full replacement cost of all improvements constituting a part of the Mortgaged Property, such insurance to be written on a replacement cost form promulgated by the Texas State Board of Insurance and with companies reasonably approved by Beneficiary, with (i) loss made payable to Beneficiary pursuant to the standard mortgagee clause promulgated by the Texas State Board of Insurance, without contribution; (ii) provision that (a) each policy shall not be terminated, reduced or limited regardless of any breach of the representations and agreements set forth therein, (b) no such policy shall be canceled, endorsed, or amended to any extent unless the issuer thereof shall have first given Beneficiary at least 15 days prior written notice, (c) a co-insurance clause, if any, of either 80% or 90% percent, (d) a replacement cost endorsement, (e) a waiver of subrogation clause, and (f) a maximum deductible of \$5,000.00 per loss and 2% on a named storm. If any of the improvements are situated in an area now or subsequently designated as having flood hazards, as defined by the Flood Disaster Act of

1973, as amended, flood insurance will be required in an amount equal to the replacement cost of the improvements or the maximum amount of flood insurance available, whichever is the lesser. Grantor shall also obtain and maintain in force and effect at Grantor's expense, such liability and other insurance policies and protection as Beneficiary may from time to time reasonably require. All renewal and substitute policies of insurance shall be delivered to the office of Beneficiary, premiums paid, at least 10, but no more than 15, days before expiration of the insurance protection to be replaced by such renewal or substituted policies. In case Grantor fails to furnish copies of such policies, Beneficiary, at Beneficiary's option, may procure such insurance at Grantor's expense. If Grantor is in Default under this Deed of Trust beyond any notice and right to cure period, Beneficiary, at Beneficiary's option, shall be entitled to receive and retain the proceeds of the insurance policies and applying the same toward payment of the Indebtedness in such manner as Beneficiary may elect. In the event Grantor is not then in Default under this Deed of Trust beyond any notice and right to cure period Beneficiary shall pay the same over wholly or in part to Grantor for the repair of the improvements or for the erection of new improvements in their place, or for any other purpose satisfactory to Beneficiary, but Beneficiary shall not be obligated to see to the proper application of any amounts so paid to Grantor. If the proceeds of the insurance are to be used for restoration, repair or replacement of the Mortgaged Property (hereinafter referred to as the "Work"), such proceeds shall be paid out by Beneficiary from time to time to Grantor (or, at the option of Beneficiary, jointly to Grantor and the persons furnishing labor and/or material incident to such work or directly to such persons) as the work progresses, subject to the following conditions: (a) if the cost of the Work estimated by Beneficiary shall exceed \$100,000.00, prior to the commencement thereof (other than Work to be performed on an emergency basis to protect the Mortgaged Property or prevent interference therewith), (i) an architect or engineer, reasonably approved by Beneficiary, shall be retained by Grantor (at Grantor's expense) and charged with the supervision of the Work and (ii) Grantor shall have prepared, submitted to Beneficiary and secured Beneficiary's written approval of (such approval not to be unreasonably withheld, delayed, or conditioned) the plans and specifications for such Work; (b) each request for payment by Grantor shall be made on 10 days prior written notice to Beneficiary and shall be accompanied by a certificate to be made by the architect or engineer supervising the Work (if one is required pursuant to this Paragraph), otherwise by Grantor or an executive officer of Grantor, stating, among such other matters as may be reasonably required by Beneficiary that: (i) all of the Work completed has been done in compliance with the approved plans and specifications (if any be required under this Paragraph); (ii) the sum requested is justly required to reimburse Grantor for payments by Grantor to, or is justly due to, the contractor, subcontractors, materialmen, laborers, engineers, architects or other persons rendering services or materials for the Work (giving a brief description of such services and materials); (iii) when added to all sums previously paid out by Grantor, the sum requested does not exceed the value of the Work done to the date of such certificate; and (iv) the amount of insurance proceeds remaining in the hands of Beneficiary will be sufficient on completion of the Work to pay for the same in full (giving in such reasonable detail as Beneficiary may require an estimate of the cost of such completion); (c) each request shall be accompanied by waivers of lien reasonably satisfactory in form and substance to Beneficiary covering that part of the Work for which payment or reimbursement is being requested and, if requested by Beneficiary, by a search prepared by a title company or licensed abstractor or by other evidence reasonably satisfactory to Beneficiary that there has not been filed with respect to the Mortgaged Property any mechanic's lien or other lien, affidavit, or instrument asserting any lien or any lien rights with respect to the Mortgaged Property; (d) there has not occurred and continuing beyond any notice and right to cure period any Event of Default (as defined below) since the hazard, casualty, or contingency giving rise to payment of the insurance proceeds; (e) in the case of the request for the final disbursement, such request is accompanied by a copy of any Certificate of Occupancy or other certificate required by any Applicable Law to render

occupancy of the damaged portion of the Mortgaged Property lawful; and (f) if, in Beneficiary's reasonable judgment, the amount of such insurance proceeds will not be sufficient to complete the Work (which determination may be made prior to or during the performance of the Work), Grantor shall deposit with Beneficiary, immediately upon a request therefore, an amount of money which when added to such insurance proceeds will be sufficient, in Beneficiary's reasonable judgment, to complete the Work. If, upon completion of the Work, any portion of the insurance proceeds has not been disbursed to Grantor (or one or more of the other aforesaid persons), Beneficiary may, at Beneficiary's option, disburse such balance to Grantor or apply such balance toward the payment of the Indebtedness. Nothing herein shall be interpreted to prohibit Beneficiary from (y) withholding from each such disbursement 10% (or a greater amount, if permitted by Applicable Law or required by any Governmental Requirements) of the amount otherwise herein provided to be disbursed, and from continuing to withhold such sum, until the time permitted for perfecting liens against the Mortgaged Property has expired, at which time the amount withheld shall be disbursed to Grantor (or to Grantor and any person or persons furnishing labor and/or material for the Work or directly to such persons), or (z) applying at any time the whole or any part of such insurance proceeds to the curing of any Event of Default. To the extent any insurance proceeds payable to them are sufficient to pay the costs of repair and restoration of the Mortgaged Property, Grantor shall promptly commence and carry out the repair, replacement, restoration and rebuilding of any and all of the improvements damaged or destroyed so as to return same, to the extent practicable, to the same condition as immediately prior to such damage to or destruction thereof.

D. Grantor shall not permit or carry on any activity within or relating to the Mortgaged Property that is prohibited by the terms of any insurance policy covering any part of the Mortgaged Property or which permits cancellation of or increase in the premium payable for any insurance policy covering any part of the Mortgaged Property. In the event of a foreclosure of this Deed of Trust, the purchaser of the Mortgaged Property shall succeed to all the rights of Grantor, including any right to unearned premiums, in and to all policies of insurance assigned and delivered to Beneficiary pursuant to the provisions of this Deed of Trust. Regardless of the types or amounts of insurance required and approved by Beneficiary, Grantor shall assign and deliver to Beneficiary all policies of insurance that insure against any loss or damage to the Mortgaged Property, as collateral and further security for the payment of the Indebtedness.

E. Grantor will pay all taxes, fees and assessments against the Mortgaged Property, including, without limitation, all taxes in lieu of ad valorem taxes, as the same become due and payable and shall furnish proof, reasonably satisfactory in form and substance to Beneficiary, of such payment on or before January 31st of each year in which this Deed of Trust is in effect; provided, however, Grantor will not be required to pay and discharge any such assessment, tax charge, levy, lien or claim as long as (i) the legality of the same shall be contested in good faith by appropriate judicial, administrative or other legal proceedings, (ii) Grantor shall have established on its books adequate reserves with respect to such contested assessment, tax, charge, levy, lien or claim in accordance with generally accepted accounting principles, consistently applied, including any penalties, interest or additional charges accruing thereon, (iii) Grantor is not otherwise then in Default under the terms of this Deed of Trust beyond any notice and right to cure period, and (iv) Beneficiary shall be advised of the status of all actions being taken by Grantor. Grantor shall not authorize any person or entity to pay current or delinquent ad valorem taxes due or to become due on the Mortgaged Property if such person or entity is entitled to receive a transfer of tax lien under Section 32.06 of the Texas Tax Code (as it may be amended or modified). In the

event any transfer of a tax lien is executed by a tax collector pursuant to Section 32.06 of the Texas Tax Code (as it may be amended or modified) with respect to the Mortgaged Property, Grantor shall, within 10 days of the date written notice is sent from Beneficiary to Grantor, fully and finally pay the transferee of said tax lien the entirety of all principal, interest and expenses (whether or not then due and payable, or to become due and payable) owing to said transferee with respect to said transferred tax lien, and deliver proof, satisfactory in form and substance to Beneficiary, of such payment, along with a signed and notarized release of said tax lien executed by said transferee. Grantor shall not defer the collection of taxes on the Mortgaged Property, in the event deferral of such taxes is permitted under applicable law. In the event of the passage after the date of this Deed of Trust of any law by the State of Texas deducting from the Mortgaged Property for the purposes of taxation any lien thereon, or changing in any way the laws now in force for the taxation of mortgages, deeds of trust, or indebtedness secured thereby, for State or local purposes, or the manner of the operation of any such taxes so as to affect the interest of Beneficiary, then and in such event, Grantor shall bear and pay the full amount of such taxes. If Grantor fails to pay any such taxes and assessments, including, without limitation, taxes in lieu of ad valorem taxes and taxes against this Deed of Trust or the Indebtedness, Beneficiary may pay the same, together with all costs and penalties thereon, at Grantor's expense; provided, however, that if for any reason payment by Grantor of any such new or additional taxes would be unlawful or if the payment thereof would constitute usury or render the Indebtedness wholly or partially usurious under any of the terms or provisions of the Note or this Deed of Trust, or otherwise, Beneficiary may, at its option, declare the Indebtedness with all accrued interest thereon to be immediately due and payable, or Beneficiary may, at its option, pay the amount or portion of such taxes as renders the Indebtedness unlawful or usurious, in which event Grantor shall concurrently therewith pay the remaining lawful and non-usurious portion or balance of the taxes.

F. All judgments, decrees, awards or payments for injury or damage to the Mortgaged Property, or any part thereof, and all awards pursuant to proceedings or threatened proceedings for condemnation thereof, including interest thereon, are assigned in their entirety to Beneficiary. If only a portion of the Mortgaged Property is taken and the portion remaining can be (in Beneficiary's reasonable judgment), with rebuilding, restoration, or repair, operated for the purpose it was being used immediately prior to such taking or diminution, and provided Grantor is not then in Default under the terms of this Deed of Trust beyond any notice and right to cure period, the proceeds of the Mortgaged Property will be applied first to the reimbursement of all costs and expenses incurred by Beneficiary and Grantor in connection with such condemnation proceedings and the balance to the restoration of the Mortgaged Property, or the remaining portion thereof in accordance with the provisions of Paragraph 2.1(C.) above. Beneficiary is authorized, in the name of Grantor, to execute and deliver valid satisfactions of, and to appeal from, any such award, judgment, decree or other matter. Grantor shall promptly notify Beneficiary of the institution or threatened institution of any proceeding relating to injury, damage, or condemnation of any of the Mortgaged Property. Beneficiary shall have the right to participate in any such proceeding.

G. Grantor will keep every part of the Mortgaged Property in good condition and presenting a good appearance, reasonable wear and tear excepted, making promptly all repairs, renewals and replacements necessary to such end, and doing promptly all else necessary to such end. Grantor will discharge all claims for labor performed and material furnished therefor and promptly remove or otherwise bond around any lien of mechanics or materialmen that attaches to any part of the Mortgaged Property; provided, however, Grantor

will not be required to pay or discharge such claims as long as (i) the legality of the same shall be contested in good faith by the appropriate legal proceedings, (ii) Grantor shall have established on its books adequate reserves with respect to such claim in accordance with generally accepted accounting principles, consistently applied, including any penalties, interest or additional charges accruing thereon, (iii) Grantor is not otherwise then in Default under the terms of this Deed of Trust beyond any notice and right to cure period, and (iv) Beneficiary shall be advised of the status of all actions being taken by Grantor and Grantor pursues with reasonable diligence the resolution of such claim or lien. Grantor will take reasonable measures to guard every part of the Mortgaged Property from removal, destruction and damage, and will take reasonable measures to not do or suffer to be done any act whereby the value of the Mortgaged Property taken as a whole, may be lessened. No building or other property now or hereafter covered by the lien of this Deed of Trust shall be removed, demolished or materially altered or enlarged, nor shall any new building be constructed, without the prior written consent of Beneficiary, which consent shall not be unreasonably conditioned, withheld, or delayed; and in such event, Grantor agrees to execute and deliver to Beneficiary such instruments and assurances as Beneficiary may reasonably require and pay all reasonable fees and expenses incurred by Beneficiary in connection therewith. Grantor shall not initiate, join in, or consent to any change in any private restrictive covenants, zoning ordinances or other public or private restrictions limiting or defining the uses that may be made of the Mortgaged Property or any part thereof without the prior written consent of Beneficiary, which consent shall not be unreasonably conditioned, withheld, or delayed. After 3 days prior written notice to Grantor, Beneficiary and its agents or representatives shall have access to the Mortgaged Property at all reasonable times during normal business hours in order to inspect same and verify Grantor's compliance with their duties and obligations under this Deed of Trust.

H. If, without the prior written consent of Beneficiary: (i) all or any part of the Mortgaged Property, or any interest therein, is sold, transferred or otherwise conveyed outside of the ordinary course of business, or (ii) Grantor creates or permits to be created any lien or encumbrance on the Mortgaged Property outside the ordinary course of business, or (iii) Grantor grants any easement, right-of-way or any other right whatsoever with respect to the Mortgaged Property outside of the ordinary course of business, or (iv) Grantor conveys any long-term leasehold interest (i.e. more than 10 years) for any purpose whatsoever covering all or any portion of the Mortgaged Property, including without limitation, an oil, gas or other mineral lease, for a period longer than 1 year, other than the lease of space consistent with prudent business practices, or (v) there is a sale, transfer or exchange of the majority of the beneficial interest in Grantor (if Grantor is not a natural person but is a corporation, limited liability company, partnership, trust or other legal entity) (all and any of the above being collectively called the "Transfers"), and irrespective of whether any such Transfers are evidenced by written instruments, and/or is filed for record, then Beneficiary may, at its option declare all or part of the Indebtedness immediately due and payable, and Beneficiary shall be entitled to exercise any and all remedies provided under this Deed of Trust; provided, however, in the event of (ii), (iii) or (iv) above, Beneficiary shall not unreasonably withhold, delay, or condition its consent and in such event, Grantor agrees to execute and deliver to Beneficiary such further instruments and assurances as Beneficiary may reasonably require and pay all fees and expenses incurred by Beneficiary in connection therewith. Grantor shall immediately notify Beneficiary, as provided below, of any Transfer.

I. In the event the ownership of the Mortgaged Property or any part thereof becomes vested in a person other than Grantor, Beneficiary may, deal with such successor or successors in interest with reference to this Deed of Trust and to the Indebtedness in the

same manner as with Grantor, without in any way vitiating or discharging Grantor's liability hereunder or upon the Indebtedness. No sale of the Mortgaged Property and no forbearance on the part of Beneficiary, and no extension of the time for the payment of the Indebtedness, given by Beneficiary, shall operate to release, discharge, modify, change, or affect, either in whole or in part, any original liability of Grantor or the liability of the guarantors or sureties of Grantor or of any other party liable for payment of the Indebtedness or any part thereof.

J. In the event any portion of the Indebtedness is not, for any reason whatsoever, secured by this Deed of Trust on the Mortgaged Property, the full amount of all payments made on the Indebtedness shall first be applied to such unsecured portion of the Indebtedness until the same has been fully paid.

K. All of the rents, royalties, issues, profits, revenue, income and other benefits derived from the Mortgaged Property or arising from the use or enjoyment of any portion thereof or from any lease or agreement pertaining thereto (hereinafter called the "Rents and Profits") are assigned, transferred, conveyed, and set over to Beneficiary to be applied by Beneficiary in accordance with the terms hereof. Grantor additionally assigns to Beneficiary all of Grantor's rights, but none of its obligations, under all existing or future leases or other agreements under the terms of which any person has or acquires any right to occupy or use any part of or interest in the Mortgaged Property, and each and all existing or future guaranties of payment or performance thereunder, and all extensions, renewals, modifications, supplements and replacements thereof. Grantor and Beneficiary intend that these assignments constitute an assignment and security agreement under the Texas Property Code, Chapter 64, and a security agreement within the meaning of Chapter 9 of the Texas Business & Commerce Code. Other than during the existence of an Event of Default, Grantor shall have a license to collect and receive all Rents and Profits as Trustee for the benefit of Beneficiary, and Grantor shall apply the funds so collected first to the payment of the principal and interest and all other sums payable on the Indebtedness then due and payable and thereafter, so long as no Event of Default has occurred beyond any notice and right to cure period, the balance shall be distributed to the account of Grantor. Upon the occurrence of an Event of Default and the expiration of any notice and right to cure period in the Loan Agreement, such license in favor of Grantor shall automatically and immediately terminate without any action or notice, or the necessity thereof, by Beneficiary or any other party, and Beneficiary shall be entitled to immediate possession of all Rents and Profits regardless of the value of the security for the Indebtedness and regardless of whether Beneficiary has initiated any action to take possession of any portion of the Mortgaged Property. Grantor hereby authorizes and directs the tenants under any lease to pay directly to Beneficiary all rents accruing under its lease agreement, upon written demand by Beneficiary, without the further consent of Grantor and regardless of whether Beneficiary has taken possession of any portion of the Mortgaged Property, and the tenants may rely upon any written statement delivered by Beneficiary to the tenants. Grantor will not (i) execute an assignment of any of its right, title or interest in the Rents and Profits, or (ii) accept prepayment of any installments of rent to become due under any of such leases in excess of one month, except prepayments in the nature of security for the performance of the lessee thereunder, or (iii) in any other manner materially impair the security of this Deed of Trust without Beneficiary's consent. Grantor will not execute any lease of all or any substantial portion of the Mortgaged Property except for actual occupancy by the lessee thereunder, and will at all times promptly and faithfully perform, or cause to be performed, each material covenant, condition and agreement contained in each lease of the Mortgaged Property now or hereafter existing, on the part of lessor thereunder to be kept and performed. Grantor shall furnish to Beneficiary, within 10 days after a written request by Beneficiary to do so, a

written statement containing the names of all lessees of the Mortgaged Property, the terms of their respective leases, the space occupied and the rentals payable thereunder together with copies of any and all written leases then existing which affect or pertain to the Mortgaged Property. If requested by Grantor, Beneficiary agrees to execute with Grantor and the tenant or tenants of the Mortgaged Property, a Lease Subordination, Non-Disturbance and Attornment Agreement in a form reasonably acceptable to Grantor and Beneficiary.

L. To the extent that proceeds of the Note are used to pay any prior indebtedness secured by an outstanding lien, security interest, charge or prior encumbrance against the Mortgaged Property, such proceeds have been advanced by Beneficiary at Grantor's request; and Beneficiary shall be subrogated to any and all rights, powers, equities, liens and security interests owned or granted by any owner or holder of such prior indebtedness, irrespective of whether the prior security interests, liens, charges or encumbrances covering the Mortgaged Property are released of record.

M. Grantor agrees that it shall execute and deliver such other and further documents and do and perform such other acts as may be reasonable, necessary and proper to carry out the intention of the parties as herein expressed and to effect the purposes of this document and the loan transaction referred to herein, provided such documents are consistent with the terms, conditions and covenants contained in the documents evidencing the Indebtedness. Without limitation of the foregoing, Grantor agrees to execute and deliver such documents as may be necessary to cause the liens and security interests granted to cover and apply to the Mortgaged Property.

N. If Grantor fails to comply with the requirements of Paragraphs 2.1 (C) and 2.1 (E), or if there shall exist any other uncured Event of Default after the expiration of any notice and right to cure period in the Loan Agreement, Beneficiary may require that Grantor pay, in addition to the payments of the Indebtedness, such sums as Beneficiary reasonably determines, in its sole and absolute discretion, as are necessary to pay the estimated annual taxes, assessments and insurance premiums (as estimated by Beneficiary, acting in good faith), next due on the Mortgaged Property. Such payments shall be made in such amounts and at such time as Beneficiary may reasonably determine and Beneficiary shall not be required to pay interest to Grantor with respect to any such payment. The impounded funds will be applied, as applicable, to pay insurance premiums and, to the extent not contested, to taxes, as applicable. If the amount so paid is not sufficient to pay such taxes, assessments and insurance premiums when due, then Grantor shall deposit immediately with Beneficiary an amount sufficient to pay such taxes, assessments and insurance premiums. If there is an Event of Default resulting in a foreclosure sale of the Mortgaged Property, or if Beneficiary otherwise acquires the Mortgaged Property after an Event of Default, any amounts held by Beneficiary pursuant to this provision shall become, at the time of commencement of such proceedings or at the time the Mortgaged Property is otherwise acquired, the property solely of Beneficiary to be applied in payment of taxes, assessments or insurance premiums, or, at the election of Beneficiary, as a credit against the Indebtedness. In the event of an Event of Default resulting in foreclosure, such conversion of such amounts so deposited with Beneficiary to the exclusive and sole ownership of Beneficiary shall be automatic without the necessity of any action on the part of Beneficiary.

O. Grantor shall, at any time and from time to time, furnish promptly, upon request, a written statement or affidavit, in such form as may be reasonably required by Beneficiary, stating the unpaid balance of the Note, and that there are no offsets or defenses

against full payment of the Note and performance of the terms hereof, or if there are any such offsets and defenses, specifying them.

P. Upon the occurrence of an Event of Default and the expiration of any notice and right to cure period in the Loan Agreement, Grantor agrees that Beneficiary shall be entitled to obtain a current appraisal of the Mortgaged Property. The reasonable and bona fide costs and expenses of such appraisals shall be paid by Grantor within 10 days of the date an invoice therefor is mailed to Grantor.

Q. Grantor shall comply with all laws, ordinances, rules and regulations of all federal or state governmental agencies of a material nature relating to the Mortgaged Property or any part thereof and shall secure and maintain all contracts, franchises, permits and licenses necessary or desirable for the construction and/or the efficient operation of the improvements and/or business conducted on the Mortgaged Property. Grantor shall keep and maintain the Mortgaged Property in compliance with, and shall not cause or permit the Mortgaged Property to be in violation of, any applicable environmental, air quality, zoning, planning, building, health, fire, traffic, safety, wetlands, coastal, and other governmental or regulatory rules, laws, ordinances, statutes, codes, or requirements applicable to the Mortgaged Property.

2.2 If, while this trust is in force, the title of Trustee to the Mortgaged Property or any part thereof, shall be endangered or shall be attacked directly or indirectly, Grantor authorizes Beneficiary, to take all necessary and proper steps for the defense of the title, including the employment of counsel, the prosecution or defense of litigation, and the compromise or discharge of claims made against the title, with Grantor to pay the reasonable and bona fide expenses relating to same.

2.3 All reasonable costs, expenses, and attorneys' fees incurred in performing and complying with Grantor's covenants set forth herein shall be borne solely by Grantor. If, in pursuance of any covenant herein contained, Beneficiary shall pay out any money chargeable to Grantor, or subject to reimbursement by Grantor under the terms hereof, Grantor will repay the same to Beneficiary immediately, upon demand, at the place where the Indebtedness is payable, and if such sums are not paid within 20 days after demand, together with interest thereon at the maximum non-usurious rate allowed by Applicable Law from and after the date of Beneficiary's making such payment, the sum of each such payment shall be added to the Indebtedness and thereafter shall form a part of the same and shall be secured by this Deed of Trust and by subrogation of Beneficiary to all the rights of the person, corporation, or body politic receiving such payment.

2.4 Grantor or Grantor's heirs, executors, administrators, or assigns, shall not have or assert, and do hereby waive to the full extent permitted by law any right, under any statute or rule of law pertaining to the marshaling of assets, the exemption of homestead, the administration of estates of decedents, to defeat, reduce or affect the right of Beneficiary, under the terms of this Deed of Trust, to a sale of the Mortgaged Property for the collection of the Indebtedness (without any prior or different resort for collection), or the right of Beneficiary, under the terms of this Deed of Trust, to the payment of the Indebtedness out of the proceeds of sale of the Mortgaged Property in preference to every other person and claimant whatever (only reasonable expenses being first deducted).

2.5 In the event that there is a trustee's sale hereunder and if at the time of such sale Grantor, or Grantor's heirs, executors, administrators or assigns, are occupying the premises so sold, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall

be a tenancy from day to day, terminable at the will of either tenant or landlord, at a reasonable rental per day based upon the value of the Mortgaged Property, such rental to be due daily to the purchaser. An action of forcible entry and detainer and any other legal proceeding shall lie if the tenant holds over after a demand in writing for possession of the Mortgaged Property. This Deed of Trust and Trustee's deed shall constitute the lease and agreement under which the tenant's possession, each and all, arose and continued.

2.6 The covenants herein contained shall inure to the benefit of Beneficiary and Trustee, their heirs, legal representatives, successors and assigns, and shall be binding upon the respective heirs, legal representatives, successors and assigns of Grantor, but nothing in this paragraph shall constitute an authorization for Grantor to sell or in any way dispose of the Mortgaged Property or any part thereof unless otherwise permitted by any of the terms hereof.

ARTICLE III. DEFAULT AND REMEDIES

3.1 The term "Default" or "Event of Default" as used in this Deed of Trust shall mean, subject to any applicable notice and cure provisions contained in the Loan Agreement, the occurrence of one or more of the following:

A. Default in the payment within three (3) business days when due, of the Indebtedness, or any part thereof.

B. The failure to keep and perform (or failure to furnish evidence of the performance of) any of the other covenants or agreements contained herein or in any other document evidencing or securing payment of, or otherwise relating to, the Indebtedness, including, but not limited to the Loan Agreement.

C. Grantor abandons any material part of the Mortgaged Property.

3.2 Upon the occurrence of any Event of Default and the expiration of any notice and right to cure period in the Loan Agreement, Beneficiary, at Beneficiary's option and without further demand, presentment, notice of intention to accelerate, notice of acceleration, or notice of any kind or nature whatsoever, all of which are expressly waived by Grantor, may, to the extent permitted by the documents executed by Grantor or by Applicable Law, declare the entire unpaid Indebtedness immediately due and payable, whereupon it shall be so due and payable, and Beneficiary shall have and may exercise all rights and remedies granted hereunder, in any other instrument securing payment of the Indebtedness, or any and all of the rights and remedies permitted under Applicable Law (all of which rights and remedies shall be cumulative).

3.3 Upon the occurrence of an Event of Default and the expiration of any notice and right to cure period in the Loan Agreement, Beneficiary shall have the option, without declaring the entire Indebtedness due, to proceed with foreclosure in satisfaction of such Default either through the courts or by directing Trustee or Trustee's successors in trust to proceed as if under a full foreclosure, conducting the sale as hereinafter provided. Such sale may be made subject to the unmatured part of the Note or other Indebtedness without any effect on the unmatured portion of the Indebtedness, but as to such unmatured portion of the Indebtedness, this Deed of Trust shall remain in full force and effect just as though no sale had been made under the provisions of this paragraph. In addition, several sales may be made hereunder without exhausting the right of sale for any unmatured portion of the Indebtedness, it being the intention of the parties hereto to provide for a foreclosure and sale of the security for any matured portion of the Indebtedness without exhausting the power to foreclose and to sell the security for any other portion of the Indebtedness whether matured at the time or

subsequently maturing. An assignee holding any installment or part of any installment of the Note or other portion of the Indebtedness shall have the same powers as are conferred on Beneficiary to proceed with foreclosure on a matured installment or installments and also to request Trustee or Trustee's successors in trust to sell the Mortgaged Property or any part thereof; but if the assignee forecloses or causes a sale to be made to satisfy any installment, part of an installment, or installments, then such foreclosure or sale shall be made subject to all of the terms and provisions hereof with respect to the unmaturing part of the Note and other portions of the Indebtedness owed by Beneficiary.

3.4 Upon the occurrence of an Event of Default and the expiration of any notice and right to cure period in the Loan Agreement, Grantor authorizes and empowers Trustee, and each and all of Trustee's successors in this trust, at any time thereafter at the request of Beneficiary (which request is conclusively presumed), to sell at public venue the Mortgaged Property or any part thereof, or any interest therein, to the highest bidder, for cash, within the area designated by the Commissioner's Court of the county in Texas in which the property to be sold or any part thereof is situated, between the hours of 10:00 A.M. and 4:00 P.M. of the first Tuesday of any month, unless such first Tuesday is either January 1 or July 4, instead any such sale shall occur on the first Wednesday of such month, after advertising the time, place and terms of said sale, and the property to be sold (in this Section called the "Posted Mortgaged Property"), by posting (or by having any person acting for Trustee post), for at least 21 days preceding the date of the sale, written notice of the proposed sale at the Courthouse door of each county in which the Posted Mortgaged Property is situated and by filing a copy of the written notice in the office of the county clerk of each county in which part of the Posted Mortgaged Property is situated at least 21 days preceding the date of the sale. If the Posted Mortgaged Property is in more than one county, the Posted Mortgaged Property may be sold at the courthouse door of any one of such counties, and the notice so posted and filed shall designate in which county the Posted Mortgaged Property shall be sold. In addition to giving such notices, Beneficiary (or any person acting for Beneficiary) shall at least 21 days preceding the date of the sale serve written notice of the proposed sale by certified mail on each debtor obligated to pay the Indebtedness according to records of Beneficiary. Service of such notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to Grantor and such other debtors obligated to pay the Indebtedness at their most recent address as shown by the records of Beneficiary, in a post office or official depository under the care and custody of the United States Postal Service. The provisions hereof with respect to the posting and giving notices of sale and the procedure for conduction of a non-judicial foreclosure sale are intended to comply with the provisions of Applicable Law, including Section 51.002, as amended, of the Texas Property Code, and in the event the requirements under such Section 51.002 shall be eliminated or the prescribed manner modified by future amendment to, or adoption of any statute superseding such Section 51.002, the provisions and requirements shall be deemed stricken from or modified in this instrument in conformity with such amendment or superseding statute, effective as of the effective date of same. The manner herein prescribed for serving or giving any notice, other than that to be posted or caused to be posted by Trustee, shall not be deemed exclusive, but such notice or notices may be given in any other manner which may be permitted by Applicable Law. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. Grantor agrees that no notice of any sale other than as set out in this paragraph need be given by Trustee, Beneficiary or any other person. Grantor designates as Grantor's address for the purposes of such notice, the address set out below opposite Grantor's signature, and each other debtor, if any, obligated to pay the Indebtedness agrees that such address shall likewise constitute such other debtor's address for such notice, unless a different address is designated by Grantor or such other debtor. Grantor authorizes and empowers Trustee, and each and all of Trustee's successors in this trust, to sell the Posted Mortgaged Property, or any part thereof (which partial sale shall be governed by Section 3.9 hereof) or any interest therein, as an entirety or in

parcels, by one sale or by several sales held at one time or at different times as Trustee shall deem advisable at the time of sale, and to execute and deliver to the purchaser or purchasers thereof good and sufficient deed or deeds of conveyance thereof and bills of sale with covenants of general warranty binding on Grantor and Grantor's heirs, personal representatives, successors and assigns. Trustee, upon making such sale, shall receive the proceeds thereof and shall apply the same as follows:

A. First, to the payment of the costs and expenses of taking possession of the Posted Mortgaged Property and of holding, using, leasing, repairing, improving and selling the same, including, without limitation (i) reasonable trustees' and receivers' fees, (ii) court costs, (iii) reasonable attorney's and accountants fees, and (iv) reasonable costs of advertisement.

B. Second, to the payment of all amounts, other than the principal balance and accrued but unpaid interest, which may be due to Beneficiary under the Indebtedness or any documents or instruments securing payment or performance of the Indebtedness or this Deed of Trust, together with interest thereon as provided therein.

C. Third, to the payment of all accrued but unpaid interest due on the Indebtedness.

D. Fourth, to the payment of the principal balance on the Indebtedness and any documents or instruments securing payment of the Indebtedness, irrespective of whether then matured.

E. Fifth, to the payment of any and all liens, security interests or other rights, titles or interests superior to the lien and security interest of this Deed of Trust (except those to which the Posted Mortgaged Property has been sold subject to and without in any way implying Beneficiary's prior consent to the creation thereof).

F. Sixth, to the extent known by Beneficiary, to the payment of any indebtedness or obligation secured by a subordinate deed of trust on or security interest in the Posted Mortgaged Property.

G. Seventh, to the person or persons legally entitled thereto; provided, however, in the event conflicting claims are asserted to any surplus proceeds of sale, Trustee may interplead such surplus funds into a court of competent jurisdiction and be relieved of his duties hereunder.

3.5 Payment of the purchase price to Trustee shall satisfy the obligation of the purchaser at such sale and such purchaser shall not be bound to look after the application thereof. Grantor ratifies and confirms any and all acts that Trustee, or Trustee's successor or successors in this trust, shall do lawfully by virtue hereof. Grantor agrees, on behalf of Grantor and Grantor's respective heirs, personal representatives, successors and assigns, that the recitals contained in any deed or deeds or other instrument executed in due form by any Trustee or substitute trustee, acting under the provisions of this instrument, shall be prima facie evidence of the facts recited therein, and that it shall not be necessary to prove in any court, otherwise than by such recitals, the existence of the facts essential to authorize the execution and delivery of such deed or deeds or other instrument and the passing of title thereby, and all prerequisites and requirements of any sale or sales shall be conclusively presumed to have been performed absent actual fraud. All persons subsequently dealing with the Mortgaged Property purported to be conveyed by such deed or deeds or other

instrument, including without limitation, the purchaser or purchasers thereof, shall be fully protected in relying upon the truthfulness of such recitals. Trustee or any successor Trustee acting in accordance with the terms hereof shall not be personally liable for any action taken pursuant hereto.

3.6 Beneficiary may bid and become the purchaser of the Mortgaged Property at any trustee's or foreclosure sale hereunder and shall have the right to credit the amount of the bid upon the amount of the Indebtedness owing to Beneficiary, in lieu of cash payment.

3.7 The purchaser at any trustee's or foreclosure sale hereunder may disaffirm any easement granted, or rental or lease contract made, in violation of any provision of this Deed of Trust, and may take immediate possession of the Mortgaged Property free from, and despite the terms of, such grant of easement and rental or lease contract.

3.8 Upon the occurrence of an Event of Default and the expiration of any notice and right to cure period in the Loan Agreement, Beneficiary may, at Beneficiary's option, enter upon and take exclusive possession of the Mortgaged Property and thereafter manage, use, lease and otherwise operate same in such manner and by and through such persons, objects or employees as it may deem proper and necessary. Beneficiary shall be likewise entitled to possession of all books and records of Grantor that relate to the Mortgaged Property. The rights of Beneficiary under this paragraph may be enforced through an action for forcible entry and detainer or any other means authorized by law. Any and all rents or other issues or profits received by Beneficiary shall be accounted for in the manner provided for in this Deed of Trust.

3.9 The sale or sales by Trustee of less than the whole of the Mortgaged Property shall not exhaust the power of sale herein granted, and Trustee is specifically empowered to make successive sale or sales under such power until the whole of the Mortgaged Property shall be sold. If the proceeds of such sale or sales of less than the whole of such Mortgaged Property shall be less than the aggregate of the Indebtedness and the expense of executing this trust, this Deed of Trust and the lien, security interest and assignment hereof shall remain in full force and effect as to the unsold portion of the Mortgaged Property just as though no sale or sales had been made. Provided, however, that Grantor shall never have the right to require sale or sales of less than the whole of the Mortgaged Property, but Beneficiary shall have the right, at its sole election, to request Trustee to sell less than the whole of the Mortgaged Property. Upon the occurrence of an Event of Default and the expiration of any notice and right to cure period in the Loan Agreement, the holder of the Indebtedness or any part thereof on which the payment is delinquent shall have the option to proceed with foreclosure in satisfaction of such item either through judicial proceedings or by directing Trustee to proceed as if under a full foreclosure, conducting the sale as herein provided without declaring the entire Indebtedness due, and if sale is made because of default of an installment, or a part of an installment, such sale may be made subject to the unmatured part of the Indebtedness. It is agreed that such sale, if so made, shall not in any manner affect the unmatured part, but as to such unmatured part, this Deed of Trust shall remain in full force and effect as though no sale had been made hereunder. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Indebtedness.

3.10 At all times, and to the fullest extent allowed by law, Grantor shall indemnify, release and hold Trustee harmless from all Trustee's acts or omissions in performance of his duties hereunder, which such claim arises out of contract or tort, including all reasonable costs of defense and settlement; provided, however, this release, indemnity and hold harmless shall not extend to or cover acts of fraud, willful misconduct or negligence by Trustee.