

WATER SERVICE AREA TRANSFER AGREEMENT

BETWEEN

CITY OF SEGUIN, TEXAS

AND

SPRINGS HILL WATER SUPPLY CORPORATION

WATER SERVICE AREA TRANSFER AGREEMENT

This Water Service Area Transfer Agreement is made and entered into by and between Springs Hill Water Supply Corporation (hereinafter called “Springs Hill”), a Texas non-profit water supply corporation located in Guadalupe County, Texas, and the City of Seguin, Texas (hereinafter called “Seguin”), a home rule city, body politic of the State of Texas, and is effective on the Effective Date, as defined below.

RECITALS

WHEREAS, Seguin holds water CCN (defined below) No. 10698, regulated by the PUC (defined below), contemplating a retail water service area in Guadalupe County, Texas, which, as of the Effective Date, is in part adjacent to the Springs Hill Water CCN; and

WHEREAS, Springs Hill holds water CCN No. 10666, regulated by the PUC, contemplating a water service area in Guadalupe County, Texas, which, as of the Effective Date, is in part adjacent to the Seguin Water CCN; and

WHEREAS, Springs Hill desires to sell and transfer an approximately 9,477 acre portion of the Springs Hill Water CCN Service Area to the Seguin Water CCN Service Area, consisting of (i) the CCN Transfer Area and (ii) the Active CCN Transfer Area (such capitalized terms are defined below), in accordance with the terms and conditions of this Agreement, as defined below;

WHEREAS, Springs Hill desires to sell the Transfer Infrastructure, as defined below, to Seguin to serve customers in the Active CCN Transfer Area, in accordance with the terms and conditions of this Agreement; and

WHEREAS, Seguin desires to buy and accept the transfer of the Assets, as defined below, from Springs Hill and Seguin is willing to compensate Springs Hill for the Assets in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows.

AGREEMENT

ARTICLE I. DEFINITIONS AND CONSTRUCTION OF AGREEMENT

1.1 Defined Terms. Capitalized terms used in this Agreement and in any exhibit, attachment, or amendment that is made a part of this Agreement. The following additional terms shall have the meanings set forth herein:

(a) “Active CCN Transfer Area” means the approximately 6,314-acre portion of the Springs Hill Water CCN area where members of Springs Hill have active retail water service connections, and more specifically depicted in **Exhibit A-1**, that is sought to be transferred to the Seguin Water CCN under applicable TWC statutes and PUC rules.

(b) “Active CCN Transfer Area Fee” means the fee paid by Seguin to Springs Hill for the transfer of (i) the Active CCN Transfer Area from the Springs Hill Water CCN to the Seguin Water CCN and (ii) Transfer Infrastructure.

(c) “Agreement” means this Water Service Area Transfer Agreement.

(d) “Assets” means collectively the CCN Transfer Area, Active CCN Transfer Area, and Transfer Infrastructure.

(e) “Business Day” means any Day that the PUC is open for business.

(f) “CCN” means a certificate of convenience and necessity, a certificate issued by the PUC, regulating the provision of retail water service to a defined area.

(g) “CCN Transfer Application” means the application filed with the PUC under TWC § 13.248 to effectuate the transfer of the CCN Transfer Area from Springs Hill to Seguin, in accordance with the terms and condition of this Agreement.

(h) “CCN Transfer Area” means the approximately 3,163-acre portion of the Springs Hill Water CCN area where Springs Hill currently does not have any members, more specifically depicted in **Exhibit A-2**, that is sought to be transferred to the Seguin Water CCN under applicable TWC statutes and PUC rules shall have the meaning set forth in the Recitals of this Agreement.

(i) “CCN Transfer Area Fee” means the fee paid by Seguin to Springs Hill for the transfer of the CCN Transfer Area from the Springs Hill Water CCN to the Seguin Water CCN.

(j) “Claim” means any claim, action, cause of action, suit or proceeding before any Governmental Authority or arbitral tribunal.

(k) “Closing” means the mutually agreeable date between Springs Hill and Seguin for the transfer of the Transfer Infrastructure from Springs Hill to Seguin, subject to the prior consent of the PUC.

(l) “Day” means any 24-period, commencing at 12:00 a.m. and ending at 11:59 p.m.

(m) “Effective Date” means the date when the Agreement becomes fully executed by the Parties.

(n) “Event of Default” shall have the meaning set forth in Section 5.1 of this Agreement.

(o) “Governmental Authority” means and includes any federal, state, local or other governmental body, any governmental or quasi-governmental, regulatory or administrative

agency, commission, body, or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power; or any court or other governmental tribunal.

(p) “LUE” means a living unit equivalent of retail water service, which is the amount of water allocated to a single-family residential customer.

(q) “Parties” shall mean collectively Springs Hill and Seguin.

(r) “Party” shall mean either Springs Hill or Seguin, as applicable.

(s) “PUC” means the Public Utility Commission of Texas and its predecessors or successors in interest.

(t) “Requirement of Law” means any statute, ordinance, code, rule or regulation, tariff or policy, and judicial or administrative order, request or judgment, any common law doctrine or theory, any provision or condition of any permit, certificate, or any other binding determination of any Governmental Authority.

(u) “Seguin Water CCN” means water CCN No. 10698, regulated by the PUC.

(v) “Service Area” means the area contained within the Seguin Water CCN or the Springs Hill Water CCN, as appropriate, as may be amended from time to time.

(w) “Springs Hill Water CCN” means water CCN No. 10666, regulated by the PUC.

(x) “STM Application” means the application filed with the PUC under TWC § 13.301, to effectuate the transfer of the Active CCN Transfer Area and conveyance of the Transfer Infrastructure from Springs Hill to Seguin, in accordance with the terms and conditions of this Agreement.

(y) “Transfer Infrastructure” means only the lines, facilities, appurtenances, easements, and other water assets (including, but not limited to, valves, hydrants, air release valves, all

underground appurtenances, aboveground appurtenances, and interconnects) of the portion of the Springs Hill water distribution system that shall be transferred, assigned, sold, and conveyed to Seguin to assist Seguin in providing retail water service to the customers in the Active CCN Transfer Area, which is more specifically described in **Exhibit B**, attached hereto and incorporated herein for all purposes. Springs Hill's easements where the Transfer Infrastructure is located shall also be provided and transferred as part of the asset package.

(z) "TWC" shall mean the Texas Water Code.

1.2 Rules of Construction.

(a) Unless the context otherwise clearly requires:

- (i) references to the plural include the singular, and references to the singular include the plural;
- (ii) references to the masculine, feminine or neuter include all such forms;
- (iii) the words "include," "includes," and "including" do not limit the preceding terms or words and shall be deemed to be followed by the words "without limitation";
- (iv) the terms "hereof," "herein," "hereunder," "hereto," and similar terms refer to the entire agreement in which they appear and not to any particular provision of such agreement; and
- (v) "or" is used in the inclusive sense of "and/or."

(b) Unless otherwise specified, any reference to any document, instrument or agreement:

- (i) includes and incorporates all exhibits, schedules and other attachments thereto;

- (ii) includes and incorporates all documents, instruments or agreements issued or executed in connection therewith or in replacement thereof; and
- (iii) means such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified or supplemented from time to time in accordance with its terms and in effect at any given time.

(c) Unless otherwise specified, all references to articles, sections, schedules and exhibits are references to the Articles, Sections, Schedules and Exhibits of this Agreement.

1.3 Recitals.

All Recitals of the Preamble are incorporated and made a part of this Agreement.

1.4 Captions.

All titles of sections of this Agreement have been inserted for reference only and shall in no way affect the interpretation of this Agreement.

**ARTICLE II.
PROVISIONS FOR THE SALE AND TRANSFER OF ASSETS TO SEGUIN**

2.1 Agreement to Transfer CCN Transfer Area from the Springs Hill Water CCN to the Seguin Water CCN.

(a) Subject to terms and conditions set forth in this Agreement, Springs Hill agrees to sell, convey, and transfer to Seguin the CCN Transfer Area. To effectuate such transfer of the CCN Transfer Area from Springs Hill to Seguin, Seguin will, prepare, file, and prosecute the CCN Transfer Application. The Parties agree to evenly split the costs to prepare, file, and prosecute the CCN Transfer Application at the PUC, where such costs shall include, and are limited to, Seguin's (i) costs to issue any required notice related to the CCN Transfer Application, (ii) legal fees incurred relating to the CCN Transfer Application, and (iii) engineering/mapping expenses

incurred directly relating to the CCN Transfer Application; provided, however, that such costs shall not exceed a total of \$10,000 (meaning, \$5,000 to Springs Hill and \$5,000 to Seguin) without the prior consent of the Parties. Springs Hill shall pay for its share of such Springs Hill CCN Transfer Application costs no later than thirty (30) Days after receiving each invoice from Seguin. Seguin will file such application at the PUC no later than 120 Days after the Effective Date. Springs Hill agrees to cooperate with Seguin in advancing the CCN Transfer Application and agrees not to oppose and not to fund or support the opposition of the CCN Transfer Application. If Seguin fails to file the CCN Transfer Application at the PUC before 120 Days after the Effective Date, then Springs Hill shall be authorized to prepare and submit the CCN Transfer Application at the PUC; and, if such scenario arises, then Seguin shall (i) pay for 50% of Springs Hill's costs to prepare and file the CCN Transfer Application at the PUC and (ii) cooperate with Springs Hill in advancing the CCN Transfer Application at the PUC.

(b) Seguin shall compensate Springs Hill for the sale and transfer of the CCN Transfer Area in accordance with Article 3 of this Agreement.

2.2 Agreement to Transfer Active CCN Transfer Area and Transfer Infrastructure from the Springs Hill Water CCN to the Seguin Water CCN.

(a) Subject to terms and conditions set forth in this Agreement, Springs Hill agrees to sell, transfer, and convey to Seguin the Active CCN Transfer Area and Transfer Infrastructure. To effectuate such transfer of the Active CCN Transfer Area and Transfer Infrastructure from Springs Hill to Seguin, Springs Hill will, prepare, file, and prosecute the STM Application. The Parties agree to evenly split the costs to prepare, file, and prosecute the STM Application at the PUC, where such costs shall include, and are limited to, Springs Hill's (i) costs to issue any required notice related to the STM Application, (ii) legal fees incurred relating to the STM Application, and

(iii) engineering/mapping expenses incurred directly relating to the STM Application; provided, however, that such costs shall not exceed a total of \$15,000 (meaning, \$7,500 to Springs Hill and \$7,500 to Seguin) without the prior consent of the Parties. Seguin shall pay Springs Hill for such STM Application costs no later than thirty (30) Days after receiving each invoice from Springs Hill. Springs Hill will file the STM Application at the PUC no later than the later of 120 Days after the Effective Date. Seguin agrees to cooperate with Springs Hill in advancing the STM Application and agrees not to oppose and not to fund or support the opposition of the STM Application. Within seven (7) Days of the Effective Date, Springs Hill shall provide to Seguin the names and addresses of all customers subject to the Active CCN Transfer Area. If Springs Hill fails to file the STM Application at the PUC before 120 Days after the Effective Date, then Seguin shall be authorized to prepare and submit the STM Application at the PUC; and if such scenario arises, then Springs Hill shall (i) pay for 50% of Seguin's costs to prepare and file the STM Application at the PUC and (ii) cooperate with Seguin in advancing the STM Application at the PUC.

(b) Seguin shall compensate Springs Hill for the sale and transfer of the Active CCN Transfer Area and Transfer Infrastructure in accordance with Article 3 of this Agreement.

2.3 Transfer Alternative.

If the PUC or any third party intervenor opposes the CCN Transfer Application and/or STM Application, then the Parties agree to negotiate in good faith a mutually agreeable alternative solution that accomplishes the goals and terms of this Agreement.

2.4 Spring Hill / Seguin Interconnection.

The Parties agree to amend that certain original "Agreement for Emergency Water Interconnection" between Springs Hill and Seguin, prior to Closing, identifying a new mutually

agreeable location for the Point of Delivery (as such term is defined in that agreement), in accordance with Sections 1.01, 2.01 and/or 2.02 of that agreement. Such amendment shall clarify that the Emergency Interconnect shall be for emergency purposes, (as such is defined in Section 1.02, 1.03 and/or 1.04 of that agreement) only and shall not be used to wheel or otherwise provide water to another entity, unless otherwise agreed by the Parties.

2.5 Appeals.

In the event that a final order of the CCN Transfer Application or STM Application is appealed pursuant to the Texas Administrative Procedures Act, the Parties agree that each Party, at their own respective cost, will be responsible for their respective prosecution of the appeal(s) and any remands thereof. The Parties agree to (i) advocate for the position that would accomplish the goals of this Agreement and (ii) cooperate with each other in any such prosecutions of such appeal(s) or remands.

ARTICLE III. COMPENSATION AND PAYMENT FOR ASSETS

3.1 Compensation by Seguin to Springs Hill.

(a) CCN Transfer Area Fee. Seguin shall pay Springs Hill Five Hundred Thousand Dollars and no cents (\$500,000.00), which is the CCN Transfer Area Fee. It is a condition precedent to filing the CCN Transfer Application at the PUC that the City shall place the CCN Transfer Area Fee in escrow with an escrow agent agreeable to the Parties, with direction that the escrowed CCN Transfer Area Fee be released to Springs Hill upon an order from the PUC granting the CCN Transfer Area Application and the statutory deadline under the Texas Administrative Procedures Act for any person to appeal such order has expired (the “13.248 Approval Date”).

(b) Active CCN Transfer Area Fee. Seguin shall pay Springs Hill Two Million Five-Hundred Thousand Dollars and no cents (\$2,500,000.00), which is the Active CCN Area Transfer Fee. It is a condition precedent to filing the STM Application at the PUC that the City shall place the Active CCN Transfer Area Fee in escrow with an escrow agent agreeable to the Parties, with direction that the escrowed Active CCN Transfer Area Fee shall be released to Springs Hill upon the Closing of the Transfer Infrastructure and the statutory deadline under the Texas Administrative Procedures Act for any person to appeal the order authorizing the Closing has expired.

3.2 Reasonableness of Rates.

Seguin and Springs Hill agree that the CCN Transfer Area Fee and Active CCN Transfer Area Fee charged by Springs Hill and policies defined in this Agreement are just and reasonable, and do not adversely affect the public interest.

3.3 Future Service Area Matters.

(a) With the exception of a tract of land that either (1) has been removed from Springs Hill Water CCN by order of the PUC under TWC Chapter 13 on or before the Effective Date or (2) is the subject of an application that has been filed at the PUC to opt out of the Springs Hill Water CCN as of the Effective Date and proceeds to final order thereon, Seguin agrees that, for three (3) years following the Effective Date of this Agreement, it will not provide retail water service to any tract of land that is removed or decertified from the Springs Hill Water CCN service area under a TWC Chapter 13 proceeding, unless Springs Hill, by its actions in light of its Tariff, cannot serve the entity or Springs Hill provides the City with written notice that the City may add that area to its water CCN service area.

(b) On the date the STM Application is deemed administratively complete by the PUC, Seguin withdraws its notice and any filing made under TWC § 13.255, if one was filed prior to entering into this Agreement, of its intent to decertify any and all portions of the Springs Hill Water CCN under TWC § 13.255, that is pending as of such administrative completeness date. The City agrees that it will not file an application under TWC § 13.255 to decertify any portion of the Springs Hill Water CCN Area at the PUC on or after the Effective Date except in the case that Springs Hill fails to file a complete application with the PUC for the Active Transfer Area within the three-year time period set out above.

(c) Springs Hill will endeavor to work with Seguin in the future to address a request from any landowner abutting Link Road and Friedens Church Road for water service at a rural density.

3.4 Assignment of Non-Standard Service Agreements. Effective immediately upon the issuance of an order from the PUC granting the CCN Transfer Area Application, Springs Hill hereby grants, sells, assigns, and conveys to Seguin, and Seguin herein acquires, purchases, and accepts the assignment of all of Springs Hill's rights, obligations, and liabilities under the contracts attached hereto as **Exhibit C**. Effective immediately upon the Closing date of the Transfer Infrastructure, Springs Hill hereby grants, sells, assigns, and conveys to Seguin, and Seguin herein acquires, purchases, and accepts the assignment of all of Springs Hill's rights, obligations, and liabilities under the contracts attached hereto as **Exhibit D**. Upon the completion of each assignment contemplated in this Section 3.4, (i) Springs Hill shall no longer have any rights, obligations, or liabilities associated with the contracts in **Exhibits C and D** and (ii) Seguin hereby assumes and agrees to perform all remaining obligations of Springs Hill under the assigned contracts. Springs Hill represents that the "Requested Capacity" provided in the contracts in

Exhibits C and D is calculated according to living unit equivalents (“LUE”) (also known as equivalent dwelling units (“EDU”)) of water service, and as of the Effective Date 1 LUE or 1 EDU equals 248 gallons per day of demand.

Notwithstanding the provisions in the preceding paragraph:

(a) to the extent that a developer that is a party to a non-standard service agreement in **Exhibit C** has paid reservation fees to Springs Hill on or before the 13.248 Approval Date, in accordance with such non-standard service agreement, for a specific quantity of LUEs of water service that are contemplated by a phase of development on the property specified in such agreement, but has not paid connection fees to Springs Hill and has not commenced receiving water service on or before the 13.248 Approval Date for any such LUEs of water service (each such LUE of water service is a “Reserved LUE”), then Springs Hill agrees to pay Seguin ONE THOUSAND DOLLARS AND NO CENTS (\$1,000.00) per LUE for each Reserved LUE of water service contemplated in each new water service customer connection when such new customer pays the applicable connection fees and commences receiving potable water service from the City, so long as the reservation fee period originally set by Springs Hill under the applicable non-standard service agreement has not expired; and provided, however, for the City to be entitled to receive such payment, the City, on or before the 15th day of each calendar month, shall provide Springs Hill with written proof demonstrating that each new retail customer utilizing a portion of the Reserved LUEs has commenced receiving water service from the City in the prior calendar month and the number of LUEs contemplated by each such new customer connection; and

(b) to the extent that a developer that is a party to a non-standard service agreement in **Exhibit D** has paid reservation fees to Springs Hill on or before Closing, in accordance with such non-standard service agreement, for a specific quantity of LUEs of water service that are

contemplated by a phase of development on the property specified in such agreement, but has not paid connection fees to Springs Hill and has not commenced receiving water service on or before Closing for any such LUEs of water service (each such LUE of water service is a “STM Reserved LUE”), then Springs Hill agrees to pay Seguin ONE THOUSAND DOLLARS AND NO CENTS (\$1,000.00) per LUE for each STM Reserved LUE of water service contemplated in each new water service customer connection when such new customer pays the applicable connection fees and commences receiving potable water service from the City, so long as the reservation fee period originally set by Springs Hill under the applicable non-standard service agreement has not expired. Provided, however, for the City to be entitled to receive such payment, the City, on or before the 15th day of each calendar month, shall provide Springs Hill with written proof demonstrating that each new retail customer utilizing a portion of the STM Reserved LUEs has commenced receiving water service from the City in the prior calendar month and the number of LUEs contemplated by each such new customer connection.

**ARTICLE IV.
CLOSING ON ACTIVE CCN TRANSFER AREA ASSETS**

4.1 Closing Date.

The Parties agree that the Closing on the transfer of the Transfer Infrastructure from Springs Hill to Seguin shall occur on a date mutually agreeable to the Parties but is no later than thirty (30) Days after the date the PUC authorizes the Parties to close in the STM Application, or similar approval from the PUC. This Closing shall occur at a location mutually acceptable to the Parties. At the Closing, Springs Hill shall deliver to Seguin the Transfer Infrastructure through an executed Bill of Sale and provide Seguin with physical possession of such facilities. At the Closing, Seguin shall execute such Bill of Sale and deliver the Active CCN Transfer Area Fee to

Springs Hill. Upon completing the Closing, Seguin shall become the retail water provider for the Active CCN Transfer Area and render retail water service to any and all customers within such Area that request and/or currently receive retail water service. Seguin shall pay all closing costs, except that each Party shall be responsible for the payment of its own attorney's fees, copying expenses, and other costs incurred in connection with the Closing. Springs Hill is entitled to all payments made from customers within the Active CCN Transfer Area for retail water service provided by Springs Hill prior to the Closing Date, regardless of when or which Party receives such payments, and Seguin is entitled to all payments made from customers within the Active CCN Transfer Area for retail water service provided by Seguin after the Closing Date, regardless of when or which Party receives such payments. Springs Hill will transfer all deposits for active Springs Hill customers within the Active CCN Transfer Area to Seguin no later than 30 Days after the Closing Date.

ARTICLE V. DEFAULT AND TERMINATION

5.1 Event of Default.

It shall be an "Event of Default" by either Party if such Party shall breach any material covenant, obligation, representation, or warranty of such Party under this Agreement, and such breach remains uncured for a period of thirty (30) Days after written notice from the non-breaching Party of the existence of such breach; provided, that the non-breaching Party shall extend the cure period for any such breach (and thus no Event of Default shall occur) if the nature of the default is such that it cannot reasonably be remedied within such thirty (30) Day period, and the breaching Party has diligently commenced corrective action within such thirty (30) Day period and is diligently pursuing such correction thereafter.

5.2 Remedies.

If an Event of Default has occurred and is continuing, the non-defaulting Party shall be entitled to all remedies as allowed by law.

5.3 Termination for Continued or Multiple Force Majeure.

(a) The term “Force Majeure” means Acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the government of the United states or the State of Texas, or of any court or agency of competent jurisdiction or any civil or military authority, insurrection, riots, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, vandalism, explosions, breakage or accidents of machinery, pipelines, or canals, or inability on the part of a Party to perform due to any other causes not reasonably within the control of the Party claiming the inability to perform.

(b) If either Party is rendered unable, in whole or in part, to carry out its obligations under this Agreement by reason of Force Majeure, the Party whose performance is affected (“Affected Party”) must give prompt notice and the full particulars of the Force Majeure to the other Party as soon as reasonably practicable after becoming aware of such event or circumstance.

(c) Either Party shall have the right (but not the obligation) to terminate this Agreement upon seven (7) Days prior written notice to the other Party in the event the suspension of any material obligation of the Affected Party resulting from one or more events of Force Majeure that continues for a period of more than three (3) consecutive months or for a period of more than three (3) months in the aggregate during a one (1) year period; provided that the Affected Party shall only be entitled to terminate this Agreement under this Section 5.4 if it has met its obligations regarding notice of a Force Majeure event. The non-Affected Party may, but shall not be obligated

to, extend either such period for such additional period as it deems appropriate, if the Affected Party is exercising due diligence in its efforts to cure the Force Majeure event.

ARTICLE VI. REPRESENTATIONS, WARRANTIES AND COVENANTS

6.1 Representations and Warranties.

Each Party hereby represents and warrants to the other Party, as of the date hereof, as follows:

(a) Each Party has all requisite power and authority to enter into and to perform its obligations hereunder, and to carry out the terms hereof and the transactions contemplated hereby.

(b) This Agreement has been duly executed and delivered on behalf each Party by the appropriate officials of that Party, and constitutes the legal, valid and binding obligation of each Party, enforceable against each Party in accordance with its terms except as the enforceability thereof may be limited by: (i) bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the enforcement of creditors' rights generally; and (ii) general equitable principles.

(c) The execution, delivery and performance of this Agreement by each Party has been duly authorized under the bylaws and all other applicable Requirements of Law of that Party and will not contravene any provision of or constitute a default under any other agreement or instrument to which each Party is a party or by which each Party or its property may be bound, and do not conflict with any Requirement of Law currently in force and applicable to each Party.

(d) There is no legislation, litigation, action, suit, proceeding, or investigation pending or (to the best of each Party's knowledge) threatened, against that Party, whether related to the operation of any facility that will supply water under this Agreement, or otherwise, before or by any Governmental Authority which, if adversely determined, individually or in the aggregate: (A)

could adversely affect the performance by that Party of its obligations hereunder; (B) could have a material adverse effect on the condition (financial or otherwise), business or operations of that Party; or (C) questions the validity, binding effect or enforceability thereof or of this Agreement, any action taken or to be taken pursuant hereto or any of the transactions contemplated hereby.

ARTICLE VII. MISCELLANEOUS

7.1 Assignment.

This Agreement shall be binding upon and inure to the benefit of the Parties and their legal successors, but the Agreement shall not be otherwise assignable in whole or in part by either Seguin or Springs Hill without first obtaining the written consent of the other.

7.2 Governing Law and Venue.

The Constitution and the laws of the State of Texas and the decisions of its courts shall govern with respect to any question or controversy that may arise hereunder. All amounts due under this Agreement, including but not limited to payments due under this Agreement or damages for breach of this Agreement, shall be paid and be due in Guadalupe County, Texas, which is the county in which the principal administrative offices of Seguin are located. It is specifically agreed that Guadalupe County, Texas, is a principal place of performance of this Agreement. Venue for any actions arising under this Agreement shall lie exclusively in the courts of Guadalupe County, Texas.

7.3 Notices.

Unless the context requires immediate notice, which may be provided by telephone, any notice, request or other communication required by this Agreement between the Parties regarding the Agreement shall be given in writing to the persons specified in **Exhibit E**, as may be amended

from time to time, and shall be deemed to have been given to the other Party upon either of the following dates:

(a) The date of the mailing thereof, as shown by a post office receipt, if mailed to the Party by registered or certified mail at the latest address specified for such other Party in writing;
or

(b) The date of the receipt thereof by such other Party if not so mailed by registered or certified mail.

The Parties shall have the right from time to time to change their respective addresses by giving written notice to the other Party.

7.4 No Waiver of Rights.

(a) No waiver by either Party of any default or defaults by the other Party in the performance of any of the provisions of this Agreement shall operate or be construed as a waiver of any other or further default or defaults whether of a like or different character or shall be effective unless in writing, duly executed by a duly authorized representative of the Party waiving any such default.

(b) Neither the failure by a Party to insist on any occasion upon the strict performance of the terms, conditions, and provisions of this Agreement, nor time or other indulgence granted by one Party to the other, shall act as a waiver of such breach.

7.5 Severability.

In case any one or more of the Articles, Sections, provisions, clauses or words of this Agreement shall for any reason be held to be invalid, unenforceable or unconstitutional, such invalidity, unenforceability or unconstitutionality shall not affect any other Articles, Sections, provisions, clauses or words of this Agreement, and it is intended that this Agreement shall be

severable and shall be construed and applied as if such invalid or unconstitutional Article, Section, provision, clause or word had not been included herein.

7.6 Amendments.

This Agreement may be changed or modified at any time by a written instrument signed by both Parties and only after having obtained approval from the governing bodies of the Parties.

7.7 Cooperative Drafting.

This Agreement is the product of a cooperative drafting effort by the Parties and shall not be construed or interpreted against either Party solely on the basis that one Party or its attorney drafted this Agreement or any portion of it.

7.8 Counterparts.

This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The Parties may execute this Agreement and all other agreements, certificates, instruments and other documents contemplated by this Agreement and exchange the counterparts of such documents by means of facsimile transmission or electronic mail, and the Parties agree that the receipt of such executed counterparts shall be binding on such Parties and shall be construed as originals. Thereafter, the Parties shall promptly exchange original versions of this Agreement and all other agreements, certificates, instruments and other documents contemplated by this Agreement that were executed and exchanged by facsimile transmission.

7.9 Third Party Beneficiaries.

Nothing in this Agreement is intended or shall be construed to confer upon, or to give to, any legal Person other than the parties, any right, remedy, or Claim under or by reason of this Agreement. Any covenants, terms, conditions, and provisions in this Agreement by and on behalf

of the Parties shall be for the sole and exclusive benefit of the Parties. Nothing in this Agreement is intended to interfere with any agreement of any Party with a third party.

7.10 Deadlines.

To the extent that the date for any payment or notice due hereunder by either Party shall fall on a Day that is not a Business Day, such deadline for payment or notice, as the case may be, shall be automatically extended to the next following Business Day.

7.11 Survivability.

Expiration or termination of the Agreement for any reason does not release any Party from any liability or obligation set forth in the Agreement, including, but not limited to, the payment of the CCN Transfer Area Fee and the Active CCN Transfer Area Fee.

[Signature pages follow immediately]

IN WITNESS WHEREOF, the parties have executed this Agreement as indicated below.

SPRINGS HILL

SEGUIN

By: _____
James Martin, President

By: _____
_____,

Date: _____

Date: _____

ATTEST:

ATTEST:

By: _____
Bernie Mueller, Secretary

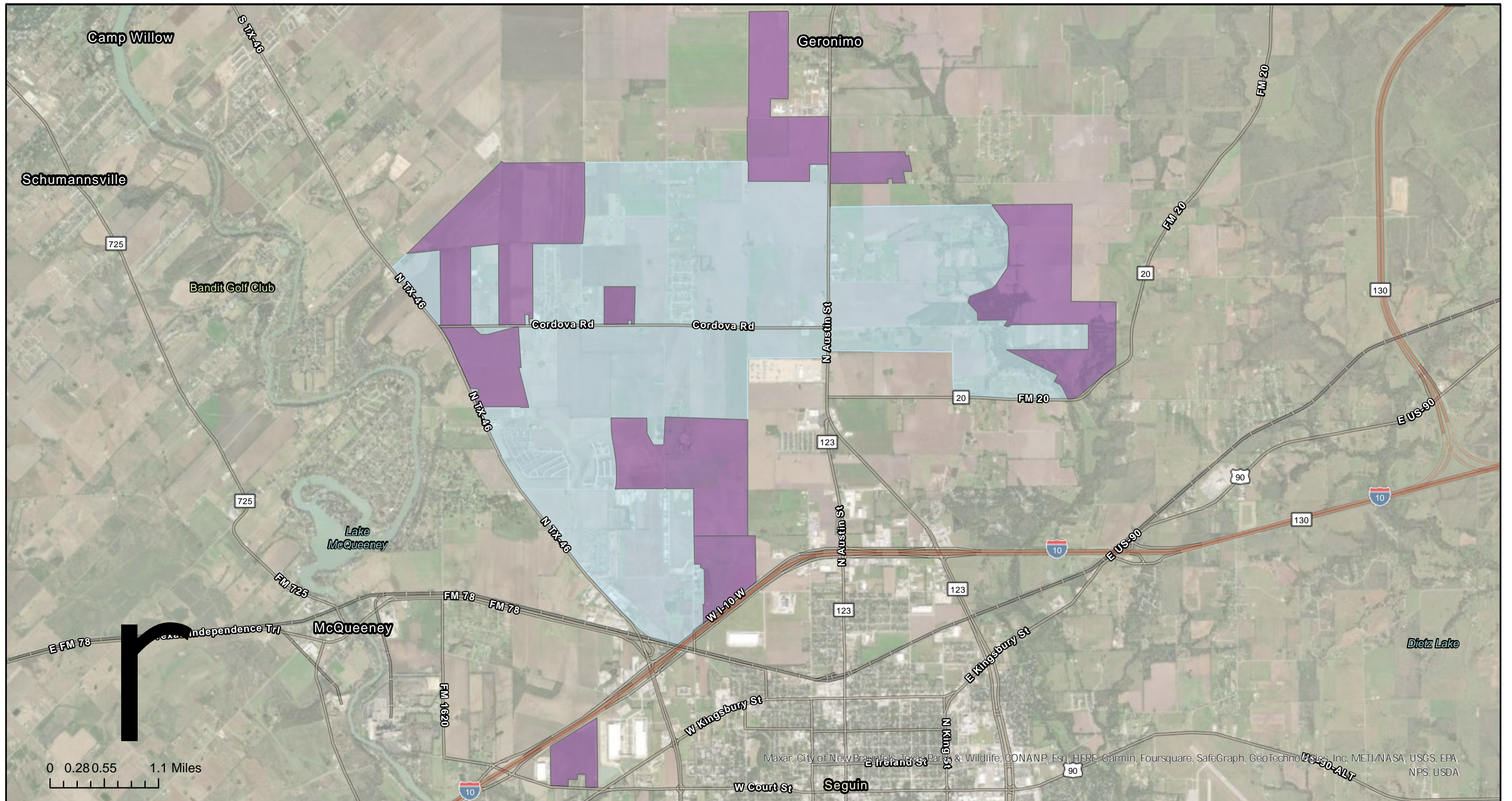
By: _____
_____,Secretary

Date: _____

Date: _____

EXHIBIT “A”

CCN TRANSFER AREA AND ACTIVE CCN TRANSFER AREA



0 0.28 0.55 1.1 Miles

Springs Hill WSC

Seguin CCN Transfer Exhibit

Option 3.3 - Area Analysis

Legend

- Active CCN Transfer Area (13,301) 6314 Acres
- CCN Transfer Area (13,248) 3163 Acres



CIVIL ENGINEERING • DEVELOPMENT CONSULTING • PROJECT MANAGEMENT

5113 Southwest Pkwy., Suite 260
 Austin, Texas 78735
 (512) 899-0601
 Firm Registration No. F-786

EXHIBIT “B”

TRANSFER INFRASTRUCTURE

EXHIBIT “C”

Assigned Contracts for CCN Transfer Agreement Application

EXHIBIT “D”

Assigned Contracts for STM Application

EXHIBIT “E”

Name and Address for Notice to Springs Hill

Springs Hill Water Supply Corporation
Attn: General Manager
5510 South Highway 123 Bypass
Seguin, Texas 78155

Name and Address for Notice to Seguin

City of Seguin
Attn: Steve Parker, City Manager
205 North River Street
Seguin, Texas 78155