

February 3, 2017

Cariari Holdings, Inc.
c/o Its President, Other Officer, or Authorized Representative
22640 N. 21st Avenue
Phoenix, AZ 85027-2035
VIA UNITED STATES MAIL/CERTIFIED DELIVERY

Beth Hooley, f/k/a Beth Hooley Wetz
2512 Black Bear Drive
New Braunfels, TX 78132
VIA UNITED STATES MAIL/CERTIFIED DELIVERY

Re: Central Texas Regional Water Supply Corporation
Project: Municipal Public Water Supply Project
Property: CTRWSC Project Parcel No. 60005, Comal County, Texas
FINAL OFFER TO PURCHASE EASEMENT

Dear Ladies and Gentlemen:

We are an authorized agent for Central Texas Regional Water Supply Corporation ("CTRWSC") regarding its pending municipal public water supply project ("Project"). The following proposed documents are enclosed regarding the Project: (1) Water Line Easement Agreement ("Easement") regarding your property ("Property") therein described; (2) Texas Landowner's Bill of Rights; (3) written appraisal from a certified appraiser of the value of the Property proposed to be acquired and the damages, if any, to your remaining property; (4) IRS Form W-9; (5) Easement Payment Letter Agreement; and (6) postage prepaid return mailing envelope. Unless otherwise designated, singular nouns and pronouns shall include the plural, and the masculine gender shall include the feminine gender, and vice versa, where necessary for a correct meaning. The preliminary recitals of this letter and all enclosed documents are incorporated by reference.

CTRWSC is a non-profit water supply corporation, with eminent domain authority, organized and operating pursuant to Chapters 2 and 22 of the Texas Business Organizations Code, Chapters 49 and 67 of the Texas Water Code, and other authority. CTRWSC may acquire by voluntary acquisition or condemnation certain property determined necessary for the Project.

The Project involves the transport of water by CTRWSC through water transmission lines, pipes, and other water utility infrastructure and equipment owned by CTRWSC ("Project Improvements"). It is necessary for CTRWSC to acquire suitable land or interests in land upon which to locate Project Improvements, which improvements shall be placed, constructed, operated, used, and maintained for the Project.

Your Property has been determined to be necessary as a location for Project Improvements. CTRWSC requests to purchase from you the easement interests described in the Easement

pursuant to the monetary consideration and other provisions described in the enclosed documents. The total amount of monetary consideration for this final offer for all terms and provisions described in the enclosed Easement is described in the attached Easement Payment Letter Agreement, which letter agreement is to be executed with the granting of the Easement.

Please review the enclosures and call me regarding this matter. If the proposed terms are acceptable, you may: (1) execute the enclosed Easement (before a notary public), Easement Payment Agreement, and IRS Form W-9, and return those executed documents to me in the enclosed return mailer; or (2) contact me to schedule without delay the document signing and payment to you for the Easement purchase by CTRWSC.

Your ownership of clear, complete, unencumbered title to your Property is required to support the Easement purchase by CTRWSC. If a Deed of Trust or other lien exists on your Property, a lien subordination agreement, or payment and release of the existing lien, must occur to complete the Easement purchase. Should you not agree to the terms of this final offer within fourteen (14) days of its receipt, CTRWSC shall consider all remedies afforded it by law to acquire the proposed easement interests herein described, including condemnation litigation in a court of competent jurisdiction pursuant to Chapter 21 of the Texas Property Code and other authority.

We look forward to conferring with you regarding this matter. Thank you for your cooperation and prompt response to this letter.

Sincerely,



Arthur D. Galvan
Ardaga & Associates

Enclosures (6)

Water Line Easement Agreement

WATER LINE EASEMENT AGREEMENT

THIS WATER LINE EASEMENT AGREEMENT ("Agreement") is made and entered into as of the ____ day of _____, 20____ ("Effective Date") by and between _____ ("Grantor," whether one or several) and Central Texas Regional Water Supply Corporation, a not-for-profit water supply corporation organized under Chapter 67 of the Texas Water Code and Chapter 22 of the Texas Business Organizations Code ("Grantee").

RECITALS:

A. Grantor is the fee owner of certain land more particularly described on **Exhibit "A"** attached hereto ("Property").

B. Grantee desires to use a portion of the Property for the Water Line Improvements (as herein defined).

C. Grantor has agreed to grant, sell and convey to and for the benefit of Grantee a non-exclusive easement across the Grantor's Property, to be situated in the area set out on **Exhibit "A"** for the purposes specified herein.

AGREEMENTS:

NOW, THEREFORE, in consideration of the premises, the mutual covenants contained herein, and other good and valuable consideration, the parties hereto agree as follows:

1. Water Line Easement. Grantor hereby grants and conveys to Grantee a perpetual, non-exclusive easement ("Water Line Easement" or "Easement") on, over, across, under and upon the portion of the Property that is designated as the "Water Line Easement Area" on **Exhibit "A"** for the construction, reconstruction, realignment, inspection, patrol, maintenance, installation, addition, operation, use, repair, replacement and/or removal by Grantee of water supply pipelines and improvements, facilities and appurtenances thereto ("Water Line Improvements"), TO HAVE AND TO HOLD the above described easement and rights unto the said Grantee, its successors and assigns, until the use of said easement shall be abandoned. Grantor does hereby bind itself, its legal representatives, successors and/or assigns to warrant and forever defend all and singular the above described easement and rights unto the said Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof. The consideration paid for this easement expressly includes the right to install multiple water lines in the future.

Grantee and Grantee's employees, contractors, agents, licensees and invitees shall have the right of ingress and egress over said Water Line Easement Area for the purpose of constructing, reconstructing, realigning, inspecting, patrolling, maintaining, operating, repairing, upgrading, adding and removing said Water Line Improvements within said Water Line Easement Area. Although this Easement is non-exclusive, Grantor shall not materially adversely affect Grantee's

or its successors or assigns use or enjoyment of the Water Line Easement Area or Water Line Improvements or otherwise cause or allow any other person or entity to materially adversely affect the use or enjoyment of the Water Line Improvements or Water Line Easement Area by Grantee, its successors or assigns. Grantee shall have the right to remove from said lands all trees and parts thereof, or other obstructions, which may interfere with the exercise of the rights granted hereunder. Grantor expressly covenants and agrees for itself, its legal representatives, successors and/or assigns, that no building, structure or trees of any kind will be placed on said Easement Area and that removal of any building, structure or trees placed on said Easement Area shall be at Grantor's expense.

2. Term of Water Line Easement. The term of this Water Line Easement shall be perpetual.

3. Total Payment. Grantor does hereby confirm that Grantee has paid to Grantor the full consideration due to Grantor for the easement rights granted to Grantee under the terms of this Agreement ("Total Payments") as set out in the Easement Payment Letter Agreement ("Payment Letter") executed by Grantor and Grantee in connection with the granting of this Water Line Easement Agreement.

4. Temporary Construction Easements. In order to facilitate Grantee's construction and installation of the Water Line Improvements, for the consideration set out above, Grantor also hereby grants and conveys to Grantee a non-exclusive temporary construction easement on, over, across, under and upon the portion of the Property that is designated as the "Water Line Easement Construction Area" on Exhibit "A" ("Temporary Construction Easement"), to and for the benefit of Grantee and Grantee's employees, contractors, agents, licensees and invitees for ingress and egress of personnel, vehicles, materials and equipment in connection with the construction and installation of Water Line Improvements as well as the maintenance, repair, replacement and/or removal of the Water Line Improvements. In connection with Grantee's exercise of its right under this Agreement, Grantee shall have the right to remove from said lands all trees and parts thereof, or other obstructions, which may interfere with the exercise of the rights granted hereunder, and Grantee shall not be required to replant vegetation or otherwise compensate Grantor or any applicable lessee of the Property for loss thereof.

5. Term of Temporary Construction Easement. The term of the Temporary Construction Easement shall begin as of the Notice to Proceed ("NTP") date, sent by Grantee to Grantor, and continue for a period of 40 months thereafter. Grantee shall have the option to extend the duration of the Temporary Construction Easement for an additional 14 months; and in consideration for such extension, shall pay Grantor a sum in the amount of 10% of the Total Payments, which payment will be in addition to the Total Payments and not a credit toward such sums.

6. Successors and Assigns. This Agreement and the rights, benefits, duties and obligations and the other terms and provisions set forth in this Agreement shall be covenants that run with, bind and benefit the Property and inure to be benefit of Grantee and its successors or assigns. The rights of Grantee shall be fully assignable. Whenever a transfer of ownership of the Grantee's rights under this Agreement occurs, the liability of the transferor for any breach of covenant occurring thereafter shall automatically terminate with respect to such transferor. Any

transferee shall automatically assume and be bound by the burdens and obligations under this Agreement running with the land arising from and after the date of such transfer.

7. Notice. Any notice or payment required to be delivered hereunder shall be deemed to be delivered on the earlier of actual receipt or, whether actually received or not, when deposited in the United States mail, postage pre-paid, registered or certified mail, return receipt requested, addressed as follows:

As to Grantor: _____

As to Grantee: Central Texas Regional Water Supply Corporation
P.O. Box 15851
San Antonio, Texas 78212
(by mail)

Central Texas Regional Water Supply Corporation
c/o Bickerstaff Heath Delgado Acosta LLP
3711 South MoPac Expressway, Suite 300
Austin, Texas 78746
(by courier or hand-delivery)

Grantor and Grantee and their respective heirs, executors, administrators, successors and assigns may, from time to time and at any time, change their respective addresses. Any change properly made is effective twenty (20) days after the delivery of written notice to all other parties to this Agreement in the manner provided herein.

8. Special Conditions. This Agreement is granted and accepted subject to the Special Terms and Provisions, if any, set out on Exhibit "B" attached hereto and made a part hereof.

9. Status Notice. Upon request of Grantee, Grantor shall, from time to time, execute a letter presented by Grantee, confirming payments received by the Grantor, that the Water Line Easement is in effect and other similar information relating to the status of this Water Line Easement, which Grantor agrees to execute and deliver to Grantee within twenty (20) days after any such request.

10. Complete Agreement. This Agreement, along with the Payment Letter, embodies the complete agreement between the parties hereto with respect to the subject matter hereof and each party hereby expressly acknowledges that there are no oral understandings or agreements with respect to the subject matter hereof which are not contained therein. The terms of the Payment Letter are hereby incorporated into this Agreement by reference.

11. Amendment. No part of this Agreement or the Payment Letter may be modified, amended or terminated without the prior written consent of Grantor and Grantee.

12. Severability. The invalidation of any one of the covenants or agreements contained in this Agreement or Payment Letter by law, judgment, or court order shall in no way affect any other provision, which shall remain in full force and effect. The rule of strict construction shall not apply to the easements granted in this Agreement and the Payment Letter.

13. Governing Law. This Agreement and the Payment Letter shall be construed in accordance with and governed by the laws of the State of Texas, and venue for any action brought in connection with this Agreement and the Payment Letter shall be exclusively in a court of competent jurisdiction in Comal County, Texas.

14. Counterparts. This Agreement and the Payment Letter may be executed in several counterparts, each which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

[SIGNATURE PAGES IMMEDIATELY FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date, as herein described.

GRANTOR:

Printed Name: _____
Date: _____, 20____

STATE OF _____ §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on the ____ day of _____, 20____, by _____, the _____ of _____.

Notary Public, State of Texas
My Commission Expires: _____, 20____

GRANTEE:

Central Texas Regional Water Supply Corporation,
a Texas not-for-profit water supply corporation

By: _____
Printed Name: _____
Title: _____
Date: _____, 20____

STATE OF _____ §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on the ____ day of _____, 20____, by _____, the _____ of Central Texas Regional Water Supply Corporation, a Texas not-for-profit water supply corporation.

Notary Public, State of Texas
My Commission Expires _____, 20____

**[IF APPLICABLE]
Consent, Joinder and Subordination by Lender**

The undersigned, _____, hereby joins in the execution of this Agreement to evidence its consent and agreement to the terms and provisions hereof, and to confirm and agree that any and all liens held by the undersigned, whether by Deed of Trust, reservation in a deed, constitutional, contractual or otherwise, are subject and subordinate to the terms and provisions of this water easement, as the same may be amended or modified from time-to-time. Without limiting the preceding general statement, it is agreed that the following liens are hereby subordinated to the terms of this Water Line Easement Agreement:

[ADD SIGNATURE BLOCK FOR LIENHOLDER]

By:

[NAME, TITLE]

STATE OF _____ §

COUNTY OF _____ §

This instrument was acknowledged before me on the ____ day of _____, 20____, by _____, the _____, of _____, a _____.

Notary Public, State of Texas

My Commission Expires: _____, 20____

Parcel Number: 60005

EXHIBIT A
(Water Line Easement Agreement – Property Description)

PARCEL 60005
COMAL COUNTY, TEXAS
VISTA RIDGE REGIONAL
SUPPLY PROJECT

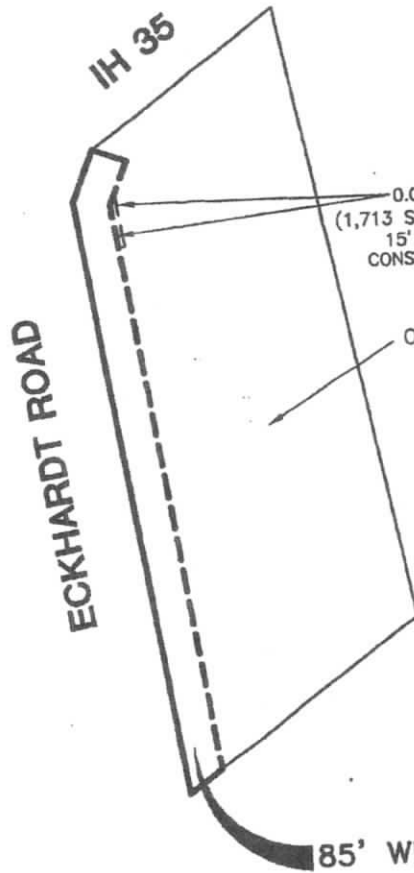
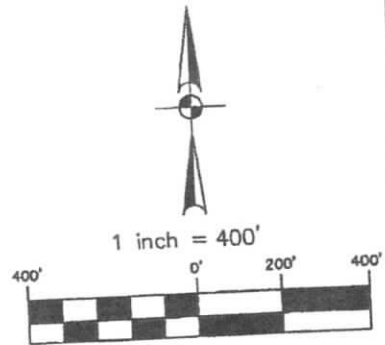
NOTES:

1. THE PROFESSIONAL SERVICES PROVIDED HERewith INCLUDE THE PREPARATION OF A METES AND BOUNDS DESCRIPTION.
2. THE BEARINGS ARE BASED ON THE TEXAS COORDINATE SYSTEM ESTABLISHED FOR THE SOUTH CENTRAL ZONE FROM THE NORTH AMERICAN DATUM OF 1983 (NA2011) EPOCH 2010.00.
3. AREAS AND DISTANCES SHOWN ARE SCALED TO SURFACE, DISPLAYED IN U.S. SURVEY FEET.



LOCATION MAP

SCALE: 1" = 2000'



0.039 OF AN ACRE
(1,713 SQ. FT. MORE OR LESS)
15' WIDE TEMPORARY
CONSTRUCTION EASEMENT

OWNER: CARIARI HOLDINGS INC.
20.00 ACRES
(DOC 201406031417 OPR)

2.948 ACRES

(128,418 SQ. FT. MORE OR LESS)

85' WIDE PERMANENT WATER LINE EASEMENT

I HEREBY CERTIFY TO CENTRAL TEXAS REGIONAL WATER SUPPLY COMPANY AND SAN ANTONIO WATER SYSTEM:

THAT THIS EASEMENT IS BASED ON AN ACTUAL SURVEY MADE ON THE GROUND UNDER MY SUPERVISION AND THAT IT MEETS THE CURRENT MINIMUM STANDARDS OF PRACTICE AS APPROVED BY THE TEXAS BOARD OF PROFESSIONAL LAND SURVEYING.

PAPE-DAWSON ENGINEERS

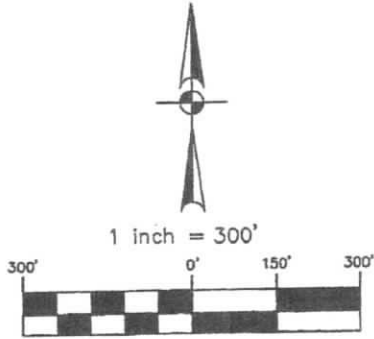
SAN ANTONIO | AUSTIN | HOUSTON | FORT WORTH | DALLAS
2000 NW LOOP 410 | SAN ANTONIO, TX 78213 | 210.375.9000
TYPE FIRM REGISTRATION #470 | TOLP FIRM REGISTRATION #10022800



G.E. Buchanan 10/25/2016
G.E. BUCHANAN
TEXAS REGISTERED PROFESSIONAL LAND SURVEYOR NO. 4999

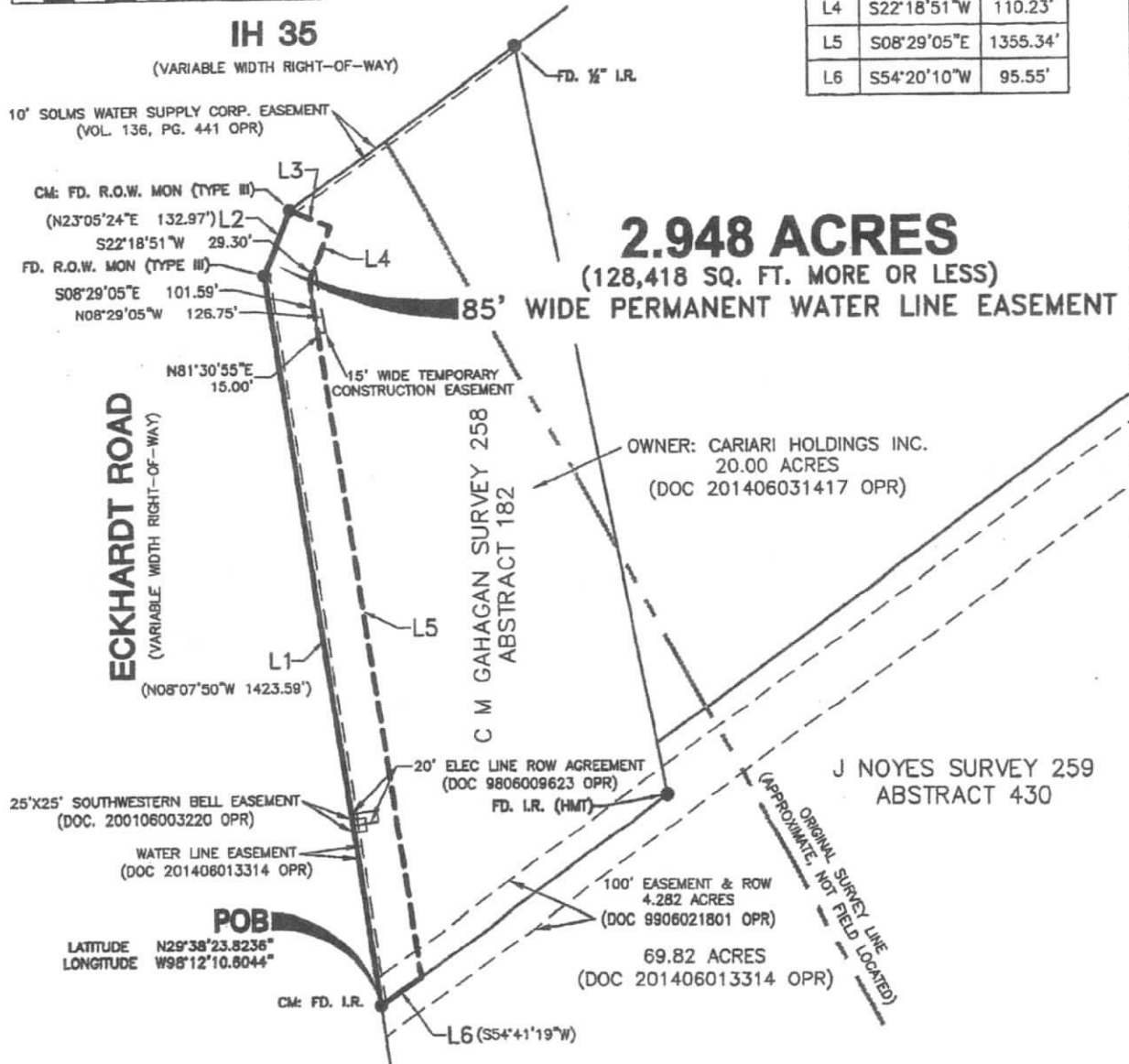
Date: Oct 25, 2016, 2:35pm User ID: jbdmccrdo
File: N:\CML\7774-03\PARCELS\60 COMAL\600005\60_EASEMENT_005_R2.dwg

PARCEL 60005
COMAL COUNTY, TEXAS
VISTA RIDGE REGIONAL
SUPPLY PROJECT



LEGEND	
(HMT)	CAP MARKED "HMT"
FD.	FOUND
I.R.	IRON ROD
CM	CONTROLLING MONUMENT
DOC	DOCUMENT
OPR	OFFICIAL PUBLIC RECORDS OF COMAL COUNTY, TEXAS
(S82°54'04"W)	PARENT TRACT RECORD BEARING
(271.11')	PARENT TRACT RECORD DISTANCE

LINE TABLE		
LINE	BEARING	LENGTH
L1	N08°29'05"W	1422.40'
L2	N22°18'51"E	133.64'
L3	S67°41'09"E	85.00'
L4	S22°18'51"W	110.23'
L5	S08°29'05"E	1355.34'
L6	S54°20'10"W	95.55'



PAPE-DAWSON ENGINEERS

SAN ANTONIO | AUSTIN | HOUSTON | FORT WORTH | DALLAS
2000 HW LOOP 410 | SAN ANTONIO, TX 78219 | 210.375.9000
TBPPE FIRM REGISTRATION #470 | TWPPE FIRM REGISTRATION #10028600

Date: Oct 25, 2016, 2:35pm User ID: jbdmccard
File: N:\CML\7774-02\PARCELS\60 COMAL\600005\60_EASEMENT_005 R2.dwg



Parcel Number 60005
County: Comal
Vista Ridge Regional Supply Project

METES AND BOUNDS DESCRIPTION
2.948 Acres (128,418 square foot)
85' Wide Permanent Water Line Easement

A 2.948 acre, or 128,418 square feet more or less, 85-foot wide Permanent Water Line Easement on that portion of a 20.00 acre tract conveyed to Cariari Holdings, Inc in a Deed recorded in Document No. 201406031417 of the Official Public Records of Comal County, Texas, situated in the J Noyes Survey 259, Abstract 430 and C M Gahagan Survey 258, Abstract 182, Comal County, Texas. Said 2.948 acre Permanent Water Line Easement being more fully described as follows, with bearings based on the Texas Coordinate System established for the South Central Zone from the North American Datum of 1983 (NA2011), epoch 2010.00 and distances scaled to surface, displayed in U.S. Survey Feet:

- BEGINNING:** At a found iron rod, the southwest corner of said 20.00 acre tract, the northwest corner of a 69.82 acre tract recorded in Document No. 201406013314 of the Official Public Records of Comal County, Texas and the east right-of-way line of Eckhardt Road, a variable width right-of-way with a Latitude of N 29°38'23.8236" and a Longitude of W 98°12'10.6044";
- THENCE:** N 08°29'05" W, along and with the west line of said 20.00 acre tract and the east right-of-way line of said Eckhardt Road, a distance of 1422.40 feet to a found TXDOT monument (Type III), the southerly end of a cut back of the intersection of Eckhardt Road and Interstate Highway 35, a variable width right-of-way;
- THENCE:** N 22°18'51" E, along and with said cutback, a distance of 133.64 feet to a found TXDOT monument (Type III), the northerly end of said cutback, the northwest corner of said 20.00 acre tract and the south right-of-way line of Interstate Highway 35;
- THENCE:** S 67°41'09" E, departing the north line of said 20.00 acre tract and the south right-of-way line of Interstate Highway 35, over and across said 20.00 acre tract, a distance of 85.00 feet to a point;
- THENCE:** S 22°18'51" W, over and across said 20.00 acre tract, a distance of 110.23 feet to a point;

THENCE: S 08°29'05" E, over and across said 20.00 acre tract, a distance of 1355.34 feet to a point, the north line of said 69.82 acre tract and the south line of said 20.00 acre tract;

THENCE: S 54°20'10" W, along and with the north line of said 69.82 acre tract and the south line of said 20.00 acre tract, a distance of 95.55 feet to the POINT OF BEGINNING and containing 2.948 acres in the City of Schertz, Comal County, Texas. Said 85-foot wide Permanent Water Line Easement tract being described in accordance with a survey made on the ground and a survey description and map prepared under Job Number 7774-02 by Pape-Dawson Engineers, Inc.

PREPARED BY: Pape-Dawson Engineers, Inc.
DATE: July 16, 2015
REVISED: June 7, 2016
JOB NO. 7774-02
DOC. ID. N:\CIVIL\7774-02\PARCELS\60 COMAL\60005\60_PARCEL_005 R1.docx



Parcel Number: 60005

[IF APPLICABLE]

EXHIBIT B

(Water Line Easement Agreement – Special Terms and Provisions)

Texas Landowner's Bill of Rights



THE STATE OF TEXAS
LANDOWNER'S
BILL OF RIGHTS

PREPARED BY THE



OFFICE OF THE
ATTORNEY GENERAL OF TEXAS



STATE OF TEXAS LANDOWNER'S BILL OF RIGHTS

This Landowner's Bill of Rights applies to any attempt by the government or a private entity to take your property. The contents of this Bill of Rights are prescribed by the Texas Legislature in Texas Government Code Sec. 402.031 and Chapter 21 of the Texas Property Code.

1. You are entitled to receive adequate compensation if your property is taken for a public use.
2. Your property can only be taken for a public use.
3. Your property can only be taken by a governmental entity or private entity authorized by law to do so.
4. The entity that wants to take your property must notify you that it wants to take your property.
5. The entity proposing to take your property must provide you with a written appraisal from a certified appraiser detailing the adequate compensation you are owed for your property.
6. The entity proposing to take your property must make a bona fide offer to buy the property before it files a lawsuit to condemn the property – which means the condemning entity must make a good faith offer that conforms with Chapter 21 of the Texas Property Code.
7. You may hire an appraiser or other professional to determine the value of your property or to assist you in any condemnation proceeding.
8. You may hire an attorney to negotiate with the condemning entity and to represent you in any legal proceedings involving the condemnation.
9. Before your property is condemned, you are entitled to a hearing before a court appointed panel that includes three special commissioners. The special commissioners must determine the amount of compensation the condemning entity owes for the taking of your property. The commissioners must also determine what compensation, if any, you are entitled to receive for any reduction in value of your remaining property.
10. If you are unsatisfied with the compensation awarded by the special commissioners, or if you question whether the taking of your property was proper, you have the right to a trial by a judge or jury. If you are dissatisfied with the trial court's judgment, you may appeal that decision.

CONDEMNATION PROCEDURE

Eminent domain is the legal authority that certain entities are granted that allows those entities to take private property for a public use. Private property can include land and certain improvements that are on that property.

Private property may only be taken by a governmental entity or private entity that is authorized by law to do so. Your property may be taken only for a public purpose. That means it can only be taken for a purpose or use that serves the general public. Texas law prohibits condemnation authorities from taking your property to enhance tax revenues or foster economic development.

Your property cannot be taken without adequate compensation. Adequate compensation includes the market value of the property being taken. It may also include certain damages if your remaining property's market value is diminished by the acquisition itself or by the way the condemning entity will use the property.

HOW THE TAKING PROCESS BEGINS

The taking of private property by eminent domain must follow certain procedures. First, the entity that wants to condemn your property must provide you a copy of this Landowner's Bill of Rights before - or at the same time - the entity first represents to you that it possesses eminent domain authority.

Second, if it has not been previously provided, the condemning entity must send this Landowner's Bill of Rights to the last known address of the person who is listed as the property owner on the most recent tax roll. This requirement stipulates that the Landowner's Bill of Rights must be provided to the property owner at least seven days before the entity makes a final offer to acquire the property.

Third, the condemning entity must make a bona fide offer to purchase the property. The requirements for a bona fide offer are contained in Chapter 21 of the Texas Property Code. At the time a purchase offer is made, the condemning entity must disclose any appraisal reports it produced or acquired that relate specifically to the property and were prepared in the ten years preceding the date of the purchase offer. You have the right to discuss the offer with others and to either accept or reject the offer made by the condemning entity.

CONDEMNATION PROCEEDINGS

If you and the condemning entity do not agree on the value of your property, the entity may begin condemnation proceedings. Condemnation is the legal process that eligible entities utilize to take private property. It begins with a condemning entity filing a claim for your property in court. If you live in a county where part of the property being condemned is located, the claim must be filed in that county. Otherwise, the condemnation claim can be filed in any county where at least part of the property being condemned is located. The claim must describe the property being condemned, state with specificity the public use, state the name of the landowner, state that the landowner and the condemning entity were unable to agree on the value of the property, state that the condemning entity provided the landowner with the Landowner's Bill of Rights, and state that the condemning entity made a bona fide offer to acquire the property from the property owner voluntarily.

SPECIAL COMMISSIONERS' HEARING

After the condemning entity files a condemnation claim in court, the judge will appoint three local landowners to serve as special commissioners. The judge will give you a reasonable period to strike one of the special commissioners. If a commissioner is struck, the judge will appoint a replacement. These special commissioners must live in the county where the condemnation proceeding is filed, and they must take an oath to assess the amount of adequate compensation fairly, impartially, and according to the law. The special commissioners are not legally authorized to decide whether the condemnation is necessary or if the public use is proper. Their role is limited to assessing adequate compensation for you. After being appointed, the special commissioners must schedule a hearing at the earliest practical time and place. The special commissioners are also required to give you written notice of the condemnation hearing.

You are required to provide the condemning entity any appraisal reports that were used to determine your claim about adequate compensation for the condemned property. Under a new law enacted in 2011, landowners' appraisal reports must be provided to the condemning entity either ten days after the landowner receives the report or three business days before the special commissioners' hearing - whichever is earlier. You may hire an appraiser or real estate professional to help you determine the value of your private property. Additionally, you can hire an attorney to represent you during condemnation proceedings.

At the condemnation hearing, the special commissioners will consider your evidence on the value of your condemned property, the damages to remaining property, any value added to the remaining property as a result of the condemnation, and the condemning entity's proposed use of your condemned property.

SPECIAL COMMISSIONERS' AWARD

After hearing evidence from all interested parties, the special commissioners will determine the amount of money that you should be awarded to adequately compensate you for your property. The special commissioners' decision is significant to you not only because it determines the amount that qualifies as adequate compensation, but also because it impacts who pays for the cost of the condemnation proceedings. Under the Texas Property Code, if the special commissioners' award is less than or equal to the amount the condemning entity offered to pay before the proceedings began, then you may be financially responsible for the cost of the condemnation proceedings. However, if the special commissioners' award is more than the condemning entity offered to pay before the proceedings began, then the condemning entity will be responsible for the costs associated with the proceedings.

The special commissioners are required to provide the court that appointed them a written decision. That decision is called the "Award." The Award must be filed with the court and the court must send written notice of the Award to all parties. After the Award is filed, the condemning entity may take possession of the property being condemned, even if either party appeals the Award of the special commissioners. To take possession of the property, the condemning entity must either pay the amount of the Award or deposit the amount of the Award into the court's registry. You have the right to withdraw funds that are deposited into the registry of the court.

OBJECTION TO THE SPECIAL COMMISSIONERS' AWARD

If either the landowner or the condemning entity is dissatisfied with the amount of the Award, either party can formally object to the Award. In order to successfully make this valuation objection, it must be filed in writing with the court. If neither party timely objects to the special commissioners' Award, the court will adopt the Award as the final judgment of the court.

If a party timely objects to the special commissioners' Award, the court will hear the case in the same manner that other civil cases are heard. Landowners who object to the Award and ask the court to hear the matter have the right to a trial and can elect whether to have the case decided by a judge or jury. The allocation of any trial costs is decided in the same manner that costs are allocated with the special commissioners' Award. After trial, either party may appeal any judgment entered by the court.

DISMISSAL OF THE CONDEMNATION ACTION

A condemning entity may file a motion to dismiss the condemnation proceeding if it decides it no longer needs your condemned property. If the court grants the motion to dismiss, the case is over and you are entitled to recover reasonable and necessary fees for attorneys, appraisers, photographers, and for other expenses incurred to the date of the hearing on the motion to dismiss.

If you wish to challenge the condemning entity's authority to take your property, you can lodge that challenge by filing a motion to dismiss the condemnation proceeding. Such a motion to dismiss would allege that the condemning entity did not have the right to condemn your property. For example, a landowner could challenge the condemning entity's claim that it seeks to take the property for a public use. If the court grants the landowner's motion, the court may award the landowner reasonable and necessary fees for attorneys, appraisers, photographers, and for other expenses incurred to the date of the hearing or judgment.

RELOCATION COSTS

If you are displaced from your residence or place of business, you may be entitled to reimbursement for reasonable expenses incurred while moving personal property from the residence or relocating the business to a new site. However, during condemnation proceedings, reimbursement for relocation costs may not be available if those costs are separately recoverable under another law. Texas law limits the total amount of available relocation costs to the market value of the property being moved. Further, the law provides that moving costs are limited to the amount that a move would cost if it were within 50 miles.

RECLAMATION OPTIONS

If private property was condemned by a governmental entity, and the public use for which the property was acquired is canceled before that property is used for that public purpose, no actual progress is made toward the public use within ten years or the property becomes unnecessary for public use within ten years, landowners may have the right to repurchase the property for the price paid to the owner by the entity at the time the entity acquired the property through eminent domain.

DISCLAIMER

The information in this statement is intended to be a summary of the applicable portions of Texas state law as required by HB 1495, enacted by the 80th Texas Legislature, Regular Session. This statement is not legal advice and is not a substitute for legal counsel.

ADDITIONAL RESOURCES

Further information regarding the procedures, timelines and requirements outlined in this document can be found in Chapter 21 of the Texas Property Code.

Appraisal Information

APPRAISAL REPORT
of
Parcel 60005
Vista Ridge Regional Supply Project
out of the property on the east corner of
Interstate Highway 35 and Eckhardt Road,
in Schertz, Comal County, Texas

as of
December 12, 2016

prepared for

Ardaga and Associates
14407 Dark Star
San Antonio, Texas 78248

prepared by

ECKMANN GROLL, INC.
218 Maverick Street
San Antonio, Texas 78212

Tax ID No. 74-2722702

ECKMANN GROLL, INC.
REAL ESTATE APPRAISERS • CONSULTANTS

Lynn G. Eckmann, MAI
Carl K. Eisenhauer, MAI
Wayne A. Groll, MAI
(1950-2004)

*218 Maverick Street
San Antonio, Texas 78212
(210) 222-9128
FAX: (210) 222-9773*

Randy Reed, MAI
Matthew Strey
Lawrence A. Baca
John Stacy Wade

December 19, 2016

Ardaga and Associates
14407 Dark Star
San Antonio, Texas 78248

Attention: Mr. Arthur D. Galvan
Realtor/Right-of-way Agent

Re: Parcel 60005
Vista Ridge Regional Supply Project

Dear Mr. Galvan:

In accordance with your request, we have made an investigation and formed an opinion of the total compensation due as a result of the acquisition of an 85-foot wide permanent waterline easement containing 2.948 acres or 128,418 square feet and a 15-foot wide temporary construction easement containing 0.039 acre or 1,713 square feet. The whole property is located on the east corner of Interstate Highway 35 and Eckhardt Road, in Schertz, Comal County, Texas. The purpose of this investigation and analysis is to provide an opinion of the compensation due to the property owner for the partial acquisitions as of the effective date of appraisal, December 12, 2016. The property rights appraised in this report are those constituting the fee simple title to the whole property and easement rights for the partial acquisitions.

Attached to this letter is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. The report presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in our file. The report is intended for use by Ardaga and Associates, the intended user and client, in negotiations to purchase the partial acquisitions. Another intended user is the Central Texas Regional Water Supply Corporation. Use of the report by others is not intended. The depth of discussion contained in this report is specific to your needs and is for the intended use stated herein. We are not responsible for any unauthorized use of the report.

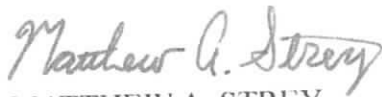
Based on the investigation and analysis, it is our opinion that the total compensation due to the property owner for the acquisition of Parcel 60005, in Schertz, Comal County, Texas, as of December 12, 2016, was:

THREE HUNDRED THOUSAND DOLLARS
(\$300,000)

The opinion of value is subject to the Assumptions and Limiting Conditions attached.

We hope this answers your questions concerning the subject property at this time. If further questions should arise, please feel free to contact us.

Respectfully submitted,


MATTHEW A. STREY


CARL K. EISENHAUER, MAI

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Project Name:	Vista Ridge Regional Supply Project	
Parcel No:	60005	
Owner:	Cariari Holdings Inc. 22640 North 21 st Street Phoenix, Arizona 85027	
Location:	East corner of Interstate Highway 35 and Eckhardt Road, Schertz, Comal County, Texas	
Land Area:		
Whole Property	27.855 acres or 1,213,364 square feet	
Permanent Easement	2.948 acres or 128,418 square feet	
Temporary Easement	0.039 acre or 1,713 square feet	
Highest and Best Use:	Commercial development	
Property Rights Appraised:		
Whole Property	Fee simple title	
Partial Acquisitions	Easement	
Effective Date of Appraisal:	December 12, 2016	
Date of Report:	December 19, 2016	
Value of the Whole Property (land only) (1,213,364 sq.ft. x \$2.75/sq.ft.)	\$3,336,800	
Value of the Parts to be Acquired (109,205 sq.ft. x \$2.75/sq.ft. x 95% = \$285,298) (19,213 sq.ft. x \$2.75/sq.ft. x 25% = \$13,209) (1,713 sq.ft. x \$2.75/sq.ft. x 10% x 3.068 = \$1,445)		(Rd.) \$300,000
Value of the Remainder Before the Acquisition (\$3,336,800 - \$300,000)	\$3,036,800	
Value of the Remainder After the Acquisition (1,083,233 sq.ft. x \$2.75/sq.ft. = \$2,978,891) (109,205 sq.ft. x \$2.75/sq.ft. x 5% = \$15,016) (19,213 sq.ft. x \$2.75/sq.ft. x 75% = \$39,627) (1,713 sq.ft. x \$2.75/sq.ft. - \$1,445 = \$3,266)	Rd. \$3,036,800	
Damages		<u>0</u>
Total Compensation		\$300,000

The value of the remainder after the acquisition is subject to the Hypothetical Condition that the proposed Vista Ridge Regional supply line is constructed as the effective date of appraisal.

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PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to provide an opinion of the total compensation due to the property owner as a result of the acquisition as of the effective date of value.

DEFINITION OF MARKET VALUE

The courts of Texas have defined market value as follows:

Market value is the price which a property would bring when it is offered for sale by one who desires, but is not obligated to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available within the reasonable future.

(Source: *City of Austin vs. Cannizzo et al.*, 267 S.W. 2d 808, 815 [Tex. 1954])

INTENDED USE OF THE APPRAISAL

The intended use of this appraisal is to assist Ardaga and Associates, the intended user and client, in negotiations to purchase the partial acquisition described herein. Another intended user is the Central Texas Regional Water Supply Corporation. Use of this report by others is not intended.

SIGNIFICANT DATES

The effective date of this appraisal is the last date we viewed the property, December 12, 2016. The property was also viewed on July 6, 2016 and other dates. The date of the report is December 19, 2016

INTEREST VALUED

The property rights appraised in this report are those constituting the fee simple title to the subject whole property and easement rights for the partial acquisition. Liens and encumbrances, if any, have been disregarded, and the property is appraised as though free and clear and under responsible ownership and competent management.

SCOPE OF WORK

In preparing this appraisal, we have:

- reviewed maps and the survey associated with the Vista Ridge Regional Supply Project;
- reviewed plat maps, aerial, and a flood plain map associated with the subject property;
- viewed the subject property on December 12, 2016, and other dates;
- gathered information on comparable land sales in Comal and surrounding counties;
- confirmed the data with local real estate agents, buyers, sellers, appraisers, and public records; and through field visits;
- analyzed the data and applied the Sales Comparison Approach; and
- provided an opinion of the value of the whole property (land only), partial acquisition, remainder before and after the acquisition, and the compensation due to the property owner.

The whole property is improved with an office, single family residence, manufactured home and supporting site improvements. A gravel driveway and fence are located within the part to be acquired. It is our understanding that the improvements that are disturbed by the acquisition will be restored to their current condition as part of construction. The assumption is made that access to the property will not be impeded during the construction of the waterline. Although the easement is in proximity to the residence, no damages occur as, after the waterline is installed, the easement will not change the utility of the residence. As a result, only the land is appraised. The Cost and Income Capitalization approaches are not considered applicable in the appraisal of the land.

The appraisal has been prepared in accordance with the policies, practices, and standards of the Appraisal Institute and is intended to conform with Standard 1 of the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board of the Appraisal Foundation. This report is intended to be in compliance with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. The

report presents a brief recapitulation of the data, analyses, and conclusions. Supporting documentation is retained in the file.

Hypothetical Condition

The value of the remainder after the acquisition is subject to the Hypothetical Condition that, as of the effective date of value, the water pipeline was constructed.

Jurisdictional Exceptions

Certain departures from Standard 1 were invoked due to the Jurisdictional Exception of the Uniform Standards of Professional Appraisal Practice (USPAP). The Jurisdictional Exception is: “an assignment conditions established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.” (Source: USPAP 2016-2017 Edition, page U-3)

According to USPAP Standard Rule 1-2(c), when exposure time is a component of the definition for the value opinion being developed, an appraiser must develop an opinion of reasonable exposure time linked to the value opinion. As exposure time is not a component of the market value definition found on Page 1, a Jurisdictional Exception to the USPAP rule relating to exposure time applies.

The Jurisdictional Exception applies to Standard Rule 1-4(f), which states that “when analyzing anticipated public or private improvements, located on or off the site, an appraiser must analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.” In the appraisal of property for eminent domain, numerous court cases, including *City of Ft. Worth v. Corbin* 504 S.W. 2d 828, 830 (Tex. 1974) have established that project influence (both positive and negative) should be disregarded. Therefore, departure from this provision has been invoked.

AREA AND NEIGHBORHOOD DESCRIPTION

The subject property is located in Schertz, Comal County, Texas. Comal County is a south central Texas county bisected by the Guadalupe River and contains a total land area of 555 square miles. The topography varies from level to gently rolling in the southern portion, with Hill Country terrain located in the northern portions of the county. New Braunfels, the county seat of Comal County, is 29 miles north of San Antonio and 45 miles south of Austin.

The primary influence in the subject area is the proximity of the City San Antonio. San Antonio, Bexar County, Texas is located geographically in the center of South Texas, approximately 200 miles west of Houston, approximately 275 miles south of Dallas, and approximately 140 miles northwest of the Gulf of Mexico. The South Texas trade territory covers approximately 90 counties which basically surround Bexar County and extend west and south to the Rio Grande. The incorporated area of San Antonio is 512.23 square miles. The total area of Bexar County is 1,257 square miles, and the Metropolitan Statistical Area has 7,385 square miles. According to the U.S. Census Bureau estimates, the Bexar County population as of July 2016 is 1,904,785 persons. As of the same date, the estimated population for the San Antonio – New Braunfels Metropolitan Statistical Area was 2,394,156 and San Antonio had a population of 1,440,900.

The neighborhood is located along Interstate Highway 35, between San Antonio and New Braunfels. Interstate Highway 35 is a limited access interstate highway that originates in Laredo, Texas and extends through San Antonio, Austin, the Dallas/Fort Worth Metroplex, and northern points beyond. Other primary thoroughfares in the area include F.M. 2252 (Nacogdoches Road), F.M. 3009, F.M. 1103, F.M. 1863, and F.M. 482. These thoroughfares provide convenient access to all parts of the Comal, Bexar, and Guadalupe counties. Two Union Pacific Railroad rights-of-way bisect the neighborhood in a west/east direction and Cibolo Creek, which forms the boundary between Bexar, and Guadalupe and Comal counties, meanders along the western portion of the neighborhood. The neighborhood is located in the Comal Independent School District.

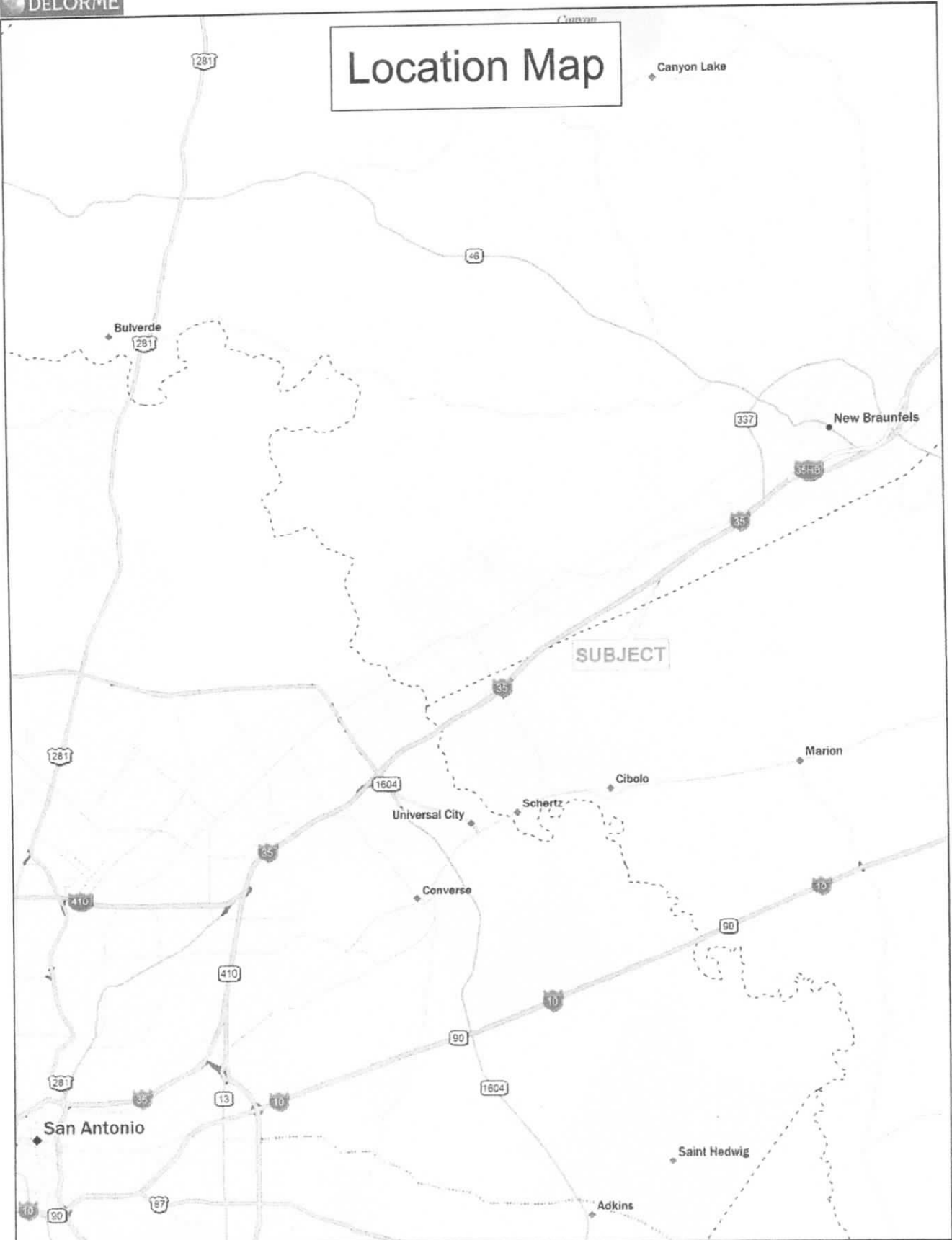
The subject neighborhood is situated in the Austin-San Antonio corridor, which is experiencing substantial growth. In recent years there has been a surge of residential development within and in proximity to the subject neighborhood. The residential development in the area has resulted in increased commercial development along Interstate Highway 35 and adjoining thoroughfares.

Tri-County Business Park is located in proximity to the subject site, on the southwest side of F.M. 3009, between Interstate Highway 35 and F.M. 2252. This business park encompasses 261 acres (excluding rights-of-way) and was developed beginning in the early 1980s. The park consists of numerous single-and multitenant office warehouses and office service centers. Another development in the neighborhood is the Verde Enterprise Business Park. The project spans over 200 acres and is situated at the northwest quadrant of Schertz Parkway and Interstate Highway 35. The park is projected to encompass 3 million square feet of industrial space with some commercial/retail development along Interstate Highway 35. The intersection of Interstate Highway 35 and F.M. 3009 has intense commercial development, including a Super Wal-Mart, a retail center anchored by H.E.B. grocery store, a Lowes home improvement store, and numerous bank branches, restaurants, convenience stores, and motels.

The neighborhood is within a convenient driving distance of numerous recreational and cultural facilities. The location and accessibility of the neighborhood compare favorably with other competing neighborhoods. There are no known nuisances or hazards in the area.

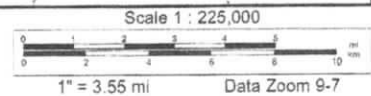
In conclusion, there are no conditions which would prove detrimental to the marketability of property within the subject neighborhood. In view of the recent and anticipated development of the neighborhood, the long-term outlook for the area is very good.

Location Map

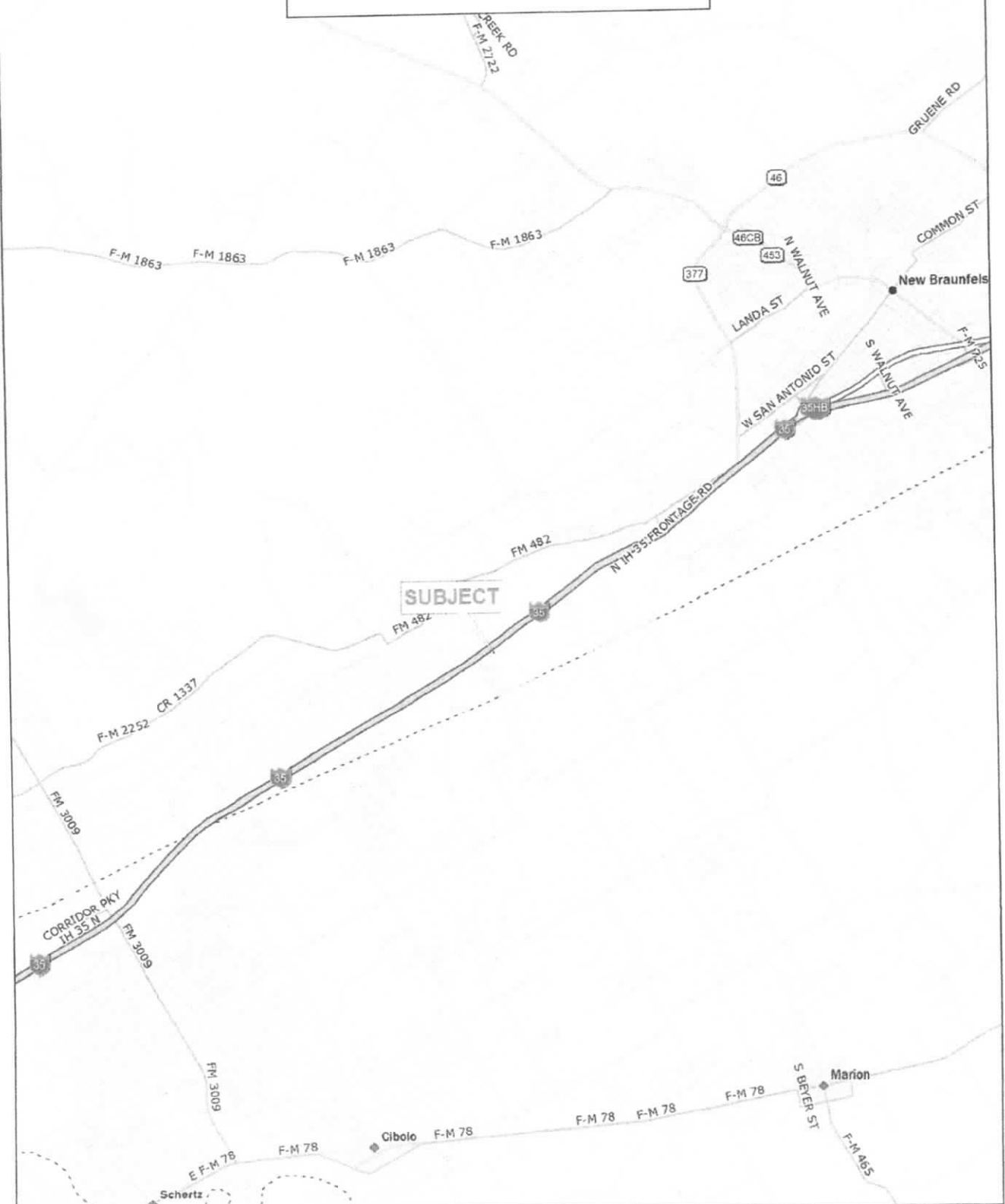


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Neighborhood Map



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