

GROUNDWATER RIGHTS LEASE

THE STATE OF TEXAS §
 §
COUNTY OF LLANO §

KNOW ALL MEN BY THESE PRESENTS THAT:

THIS GROUNDWATER RIGHTS LEASE (the "*Lease*") is made and entered into by and between William F. Leverett, Jr. ("*Lessor*") and the City of Llano ("*Lessee*"). The effective date of this Lease (the "*Effective Date*") is February 25, 2015.

1. GRANT OF LEASE

(a) Lessor, in consideration of ten dollars (\$10.00), and all other good and valuable consideration provided for in this Lease, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the covenants and commitments of this Lease hereby agreed to be kept and performed by Lessee, hereby grants, leases, and lets unto Lessee the exclusive right to investigate the presence of, explore for, drill for, produce, save, transport, treat, sell, own, use, and reuse all water from aquifers and other water-bearing formations existing beneath the surface of that property located in the County of Llano, State of Texas that is specifically described by the metes and bounds contained in Exhibit "1" ("*Groundwater*"), attached hereto and incorporated herein by this reference for all purposes (hereinafter collectively referred to as the "*Leverett Ranch*") for the duration established in *Section 2 Lease Term*. Lessor excepts from this Lease and reserves any and all surface water and all other minerals of every kind and character in, on, and under the Leverett Ranch, together with the right to use such land for the purposes of investigating, exploring, producing, saving, and owning such surface water and other minerals. Lessor reserves and retains, and Lessee gives and grants to Lessor, the right to withdraw Groundwater reasonable and necessary for Lessor's household and livestock uses on the Property from the wells now existing or drilled in the future on the Leverett Ranch specifically for the purpose of household and livestock uses ("*Lessor's Wells*").

(b) Lessor further grants unto Lessee an easement to use so much of the surface of the area more specifically defined by the provisions of *Section 9 Access Easements and Use of the Surface*, as may be reasonably required for the purpose of (i) drilling, pumping, storing, and transporting Groundwater, (ii) constructing, installing, operating, and maintaining any improvements, storage tanks, treatment facilities, power and pumping stations, fencing, gates, telephone or electrical lines, roads, and all other equipment necessary to drill, pump, store, and transport Groundwater, (iii) constructing, installing, operating, and maintaining any pipelines or surface storage tanks necessary to store and transport Groundwater produced from the Leverett Ranch, (iv) conducting geographic and geological surveys, tests or other exploratory activities, including exploratory drilling, for determining the presence of Groundwater, and (v) maintaining and protecting a sanitary control easement in compliance with applicable laws of the State of Texas.

(c) Nothing contained in this Lease shall expressly or impliedly grant any rights to anyone to enter the Leverett Ranch other than Lessee and its agents, contractors, subcontractors,

and employees who are acting under authority of this Lease. The easement rights shall automatically terminate when the Lease terminates.

(d) For purposes of this Lease, a well is an artificial penetration, drilled into the ground that measures deeper at its lowest depth than its width measures at the surface for purposes of exploring for, or producing, Groundwater.

2. LEASE TERM

(a) Subject to the other provisions contained herein, this Lease shall be for a term of fifty (50) years from the Effective Date.

(b) Following the connection of the Llano 1 Well, as described in Section 6 below, to Lessee's drinking water treatment and/or distribution system, and Lessee's initial operation of the Llano 1 Well for the intended purpose of providing drinking water to Lessee's water utility customers, if Lessee ceases to produce groundwater pursuant to this Lease for a continual period of more than one Lease Year, defined in Section 4(a) of this Lease, the Lease shall terminate.

3. ACCOMMODATION OF SURFACE USES

(a) Lessor uses the Leverett Ranch for retreat and recreational uses. Lessor also maintains several hunting leases on the Leverett Ranch. Groundwater exploration and production activities, including but not limited to the pumping, storage, and conveyance of produced Groundwater from the Leverett Ranch, shall not unreasonably interfere with existing overt surface uses of the Leverett Ranch including, but not limited to uses related to hunting. To accommodate the overt or known surface uses of the Leverett Ranch, Lessee agrees that:

- (1) Hunting season is from September 1 to January 31. Well exploration and drilling activities shall be minimized during this period;
- (2) Lessee's activities shall not result in the destruction or damage to hunting blinds, equipment, and facilities. If activities require the removal or destruction of this equipment or facilities, then Lessee shall notify Lessor in writing no fewer than thirty days before any anticipated removal or destruction and shall be wholly liable for the cost of replacement or repair (however, failure of Lessee to provide notice for unanticipated removal or destruction shall not be cause for any default of this Lease);
- (3) During hunting season, Lessee and Lessee's employees and contractors assume all risks associated with working at the property;
- (4) Lessee shall adequately fence facilities within the Well Site, as defined in *Section 6 Well Location*, using reasonable means designed to discourage wildlife from entering all or portions of that area;

- (5) Lessee may not construct any facilities or infrastructure outside of the Well Site, as defined in *Section 6 Well Location*, that will materially interfere with the movement of wildlife on the property;
- (6) During hunting season, Lessor shall take all reasonable measures to notify participants of hunting activities on the Leverett Ranch of the potential for production, operation, and maintenance activities taking place on the Well Site during times that hunting activities are taking place; and
- (7) Lessee shall, at all times, remove debris and unused equipment that it may have placed or used on the Leverett Ranch outside of the Well Site.

(b) Lessee's good faith efforts to comply with this section, and with Lessee's remaining obligations contained in this Lease, shall constitute accommodation of Lessor's surface uses of the Leverett Ranch.

4. RENT

(a) For so long as this Lease is in effect, the rent to be paid by Lessee for the rights described in *Section 1 Grant of Lease* shall be TWELVE THOUSAND FIVE HUNDRED DOLLARS AND ZERO CENTS (\$12,500.00) for each October 1 – September 30 period ("*Lease Year*") this Lease is in effect (the "*Minimum Annual Rent*"), except as otherwise provided below.

(b) The Minimum Annual Rent is payable on the first day of October for that Lease Year.

(c) If the Effective Date is a date other than October 1, then the Minimum Annual Rent for the period of time from the Effective Date until the next September 30 shall be the product of THIRTY FOUR DOLLARS AND TWENTY FIVE CENTS (\$34.25) multiplied by the number of days from, and including, the Effective Date to the next September 30. Any Minimum Annual Rent under this subsection is due within 30 days of the Effective Date.

(d) The parties to this Lease agree that the Minimum Annual Rent that is due on October 1 of any year this Lease is in effect may change only under the following circumstances. If, on October 1 of any year this Lease is in effect, the acre-foot rate that the Lower Colorado River Authority (the "*LCRA*") charges its customers for firm, untreated water (the "*LCRA Firm Water Rate*") is different than \$175.00 per acre-foot, then the Minimum Annual Rent due shall be:

$$\$12,500.00 + [(LCRA Firm Water Rate - \$175) \times 60]$$

(e) If the total volume of Groundwater produced by Lessee under this Lease in a Lease Year exceeds 120.00 units (for purposes of this Lease, one unit of water shall equal 326,000 gallons), Lessee shall pay to Lessor an additional rental amount equal to one half of the LCRA Firm Water Rate that is applicable on September 30 of that Lease Year for each unit of Groundwater produced under this Lease in excess of 120.00 units for that Lease Year ("*Supplemental Rent*"). All Supplemental Rent that becomes due hereunder shall be paid to Lessor not later than the last day of the first November following the Lease Year during which

the production in excess of 120.00 units took place. Payment shall be accompanied by a statement showing the total amount of Groundwater produced under this Lease during that Lease Year of production wherein water was produced in excess of 120.00 units, measured to the nearest 1,000 gallons.

(f) Lessee shall remit to Lessor a total amount of FIVE THOUSAND DOLLARS AND ZERO CENTS (\$5,000.00) for each well drilled by Lessee on the Leverett Ranch pursuant to the terms of this Lease ("*Boring Payment*"), whether a well produces water or not, not later than 30 days from the date of the removal of the drilling equipment, following cessation of drilling activities, from each pertinent well.

(g) Lessor shall have the right, during regular business hours, personally or by representative, to inspect the books, accounts, contracts, records and data of Lessee pertaining to the development, production, and transportation of the Groundwater produced from the Leverett Ranch.

5. REPRESENTATIONS AND COVENANTS

- (a) Lessor represents, warrants, and covenants that:
- (1) all real and personal property rights and title to the Leverett Ranch and to the Groundwater in and under the Leverett Ranch are vested solely and exclusively in Lessor, and Lessor will defend the title to the Leverett Ranch and to the Groundwater underlying the Leverett Ranch or the rights thereto as against any person claiming title to the Groundwater by or through Lessor;
 - (2) Lessor has the authority and legal right to enter into this Lease without consent from any other parties;
 - (3) Lessor has not executed a groundwater lease relating to the Groundwater rights or the Leverett Ranch with any other party, and Lessor is not aware of the existence of any groundwater lease(s) relating to the Groundwater rights or the Leverett Ranch executed by others;
 - (4) Lessor has not received written notice and has no actual knowledge of any litigation pending or threatened against Lessor that might affect the Groundwater rights, the Leverett Ranch, or Lessor's ability to perform its obligations under this Lease;
 - (5) to the extent that Lessor (or any of its affiliates, agents, attorneys, contractors, consultants or representatives) has possession or control of the following items pertaining to the Leverett Ranch or Groundwater rights, Lessor has delivered to Lessee, prior to the Effective Date, complete, legible, and accurate copies of:

- (A) all engineering, soil, environmental, hydrological, geological, feasibility or similar studies, reports, maps or the like relating to the Groundwater rights or the Leverett Ranch, including but not limited to, any water sampling, test results or maps relating to the quantity and quality of the Groundwater;
 - (B) all notices from any governmental entity affecting or relating to the Leverett Ranch or Groundwater rights;
 - (C) all agreements or documentation relating to or which may relate to or affect the Leverett Ranch or Groundwater rights; and
 - (D) copies of all drill logs of wells located on the Leverett Ranch or the name of the driller and the date each well was drilled; and
- (6) Lessor will not allow to be installed, operated, or maintained any injection or disposal well, quarry, mine, or any other surface or subterranean facilities or activities that threaten, endanger, or otherwise affect the quality of any groundwater producible under the terms of this Lease.
- (b) Lessee represents, warrants, and covenants that:
- (1) Lessee will pursue production of the Groundwater in good faith;
 - (2) Lessee's employees and contractors will not dispose of any solid waste, hazardous waste, or hazardous substances on the ground or in the surface water on the Leverett Ranch;
 - (3) Lessee will notify its employees and contractors of the potential for seasonal hunting activities;
 - (4) Lessee will conduct its Groundwater exploration, drilling and production operations in accordance with all applicable federal, state, and local laws;
 - (5) Lessee will not knowingly materially impair current uses of the Leverett Ranch; and,
 - (6) To the extent Lessee has possession or control of public information pertaining to the Groundwater, Lessee will disclose that information in accordance with the Texas Public Information Act following requests for the information made under that controlling law. This provision is intended to restate, not modify, Lessee's existing obligations to disclose public information under the laws of the State of Texas.
- (c) Lessor and Lessee mutually represent, warrant, and covenant that:
- (1) this Lease constitutes a legal, valid, and binding obligation of Lessor, enforceable against Lessor in accordance with its terms (subject to the effects of bankruptcy, insolvency, reorganization, moratorium, fraudulent

conveyance, or other applicable laws now or hereafter in effect relating to creditors' rights generally and general principles of equity);

- (2) to the best of Lessor's and Lessee's knowledge, there is no (i) creation or change contemplated in any applicable laws, ordinances, or restrictions, including potential creation of a Groundwater Conservation District or any other regulatory authority with jurisdiction over the production, use, transport, or reuse of Groundwater underlying or produced from the Leverett Ranch; (ii) judicial or administrative action threatened or pending against the Leverett Ranch, the Groundwater rights, or Lessor; or (iii) action by adjacent landowners pending or threatened against the Leverett Ranch, the Groundwater thereunder, or Lessor; and
- (3) this Lease, and all documents required by this Lease to be executed by Lessor and Lessee and delivered to Lessor and Lessee, are and will be duly authorized, executed, and delivered by Lessor and Lessee.

6. WELL LOCATION

(a) Lessor hereby grants to Lessee, and Lessee acknowledges that this Lease hereby designates, the right to drill one well for the production of Groundwater ("*Llano 1 Well*") to be situated within reasonable proximity of 30° 37' 23.81850" North Latitude, 98° 38' 43.44860" West Longitude ("*Well Location*"). Lessee's access to the Well Location and those areas in reasonable approximation to the Well Location needed for construction, operation, and maintenance of the Llano 1 Well and for the maintenance and protection of a sanitary control easement surrounding the Llano 1 Well shall be from the point on County Road No. 312 depicted in, and shall include the area of the Leverett Ranch described more specifically in, Exhibit "2" (the "*Well Site*").

(b) In the event that subterranean or surface conditions warrant the need for an alternative location of the Groundwater well contemplated by this Lease, Lessee shall give notice to the Lessor of the need to drill another well and provide a plan for identifying an alternate location and the expected timeframe for exploration, testing and developing the alternative well. The Lessee shall have the right to drill a well upon such alternative location following written consent of Lessor. Such consent shall not be unreasonably withheld, taking into consideration reasonably anticipated impacts of the alternative well location on the Leverett Ranch and on Lessor's use of the Leverett Ranch. Lessor and Lessee agree to modify the Lease to address any reasonably anticipated impacts attributable to the changed well location. The Lease shall be promptly updated with a new water well location description and well site survey in lieu of Exhibit "2," and such alternative well shall thenceforth be referred to herein as the Llano 1 Well, the location shall be referenced as the Well Location, and the site shall be referenced as the Well Site for purposes of this Lease.

7. FIXTURE CLAUSE

(a) Lessee shall have the right at any time during this Lease to remove all property and fixtures placed on the Leverett Ranch by Lessee. Within six months after the expiration,

termination, or release of this Lease, Lessee shall have the obligation to remove all property and fixtures placed on the Leverett Ranch by Lessee.

(b) Lessee shall restore any damaged or injured property in accordance with Section 9(d) of this Lease. In all cases, Lessee shall first give written notice to Lessor and provide Lessor the right to take ownership from the Lessee of any existing wells drilled and completed by the Lessee pursuant to the terms of this Lease. Within 30 days of the date of Lessee's notice, Lessor shall respond in writing whether it elects to take ownership of the Llano 1 Well or declines to take ownership of the Llano 1 Well. Should Lessor take ownership of the Llano 1 Well, Lessee will deliver possession of the Llano 1 Well to Lessor as soon as practicable following receipt of Lessor's written election.

8. METERING

(a) Lessee shall provide, operate, maintain and read one or more meters which shall record all Groundwater produced from Lessee's well on the Leverett Ranch that is subject to this Lease. Lessee shall keep accurate records of all measurements of Groundwater required under this Lease, and the measuring devices and the records shall be open to inspection by the Lessor during business hours. Lessor shall have access to the metering equipment at all reasonable times, but only after first providing Lessee with reasonable advanced notice. Upon written request of the Lessor, Lessee will provide Lessor copies of such records or permit Lessor to have access to the same in the office of Lessee during reasonable business hours. Lessee shall calibrate its meter(s) once during any two consecutive calendar years and, if requested by Lessor, shall do so in the presence of a representative of Lessor.

(b) Lessor may request, in writing, Lessee to calibrate the meter(s) at any time. In that event Lessee shall calibrate its meter(s) and, if requested by Lessor, shall do so in the presence of a representative of Lessor. If, upon test of the meter(s) pursuant to the request of Lessor, the percentage inaccuracy of such metering equipment is found to be in excess of seven percent (7%), Lessee shall pay the cost of the calibration. If the percentage inaccuracy of such metering equipment is found to be seven percent (7%) or less, the cost thereof shall be paid by Lessor.

(c) If any meters are out of service or out of repair so that the amount of Groundwater delivered cannot be ascertained or computed from the reading thereof, the Groundwater delivered during the periods such meter(s) are out of service or repair, shall be estimated and agreed upon by the parties hereto upon the basis of the best data available.

9. ACCESS EASEMENTS AND USE OF THE SURFACE

(a) Lessor hereby grants to Lessee an easement to use the surface of the Well Site and any existing roads for reasonable ingress and egress to the Well Site. Additionally, Lessor grants Lessee an easement for the construction and maintenance of new roads required for reasonable ingress and egress to the Well Site in the event existing roads are not available to provide reasonable ingress and egress. The easement granted by Lessor does not include any other property contiguous and adjacent to the Well Site and owned by the Lessor except for what is necessary for the exploration of Groundwater, the drilling and completion of the Llano 1 Well at

the Well Location, the construction and maintenance of improvements on the Well Site, and the maintenance and protection of the Well Site as a sanitary control easement as required by applicable regulations of the State of Texas.

(b) The easement shall encompass the Well Site so that it is located at, and includes all of that portion of the Leverett Ranch within 150 feet of, the Well Location as depicted in Exhibit "2" attached hereto and incorporated herein by this reference for all purposes. Relocation of the Well Site and Well Location to an alternative location pursuant to *Section 6 Well Location* shall serve also to relocate the easement granted under this provision, subject to any changes to the Lease or easement that Lessor and Lessee deem necessary to address any reasonably anticipated adverse impacts of the Well Site on or to (i) the Leverett Ranch, (ii) Lessor's use and enjoyment of the Leverett Ranch that is attributable to the Lessee's activity authorized herein, and (iii) Lessee's access to and ability to efficiently produce Groundwater from the Llano 1 Well.

(c) Following five business days written notice to Lessor, Lessor shall allow reasonable access to the Leverett Ranch outside of the Well Site to Lessee as necessary for Lessee to conduct any scheduled activity related to its duties, rights, and obligations under this Lease.

(d) Lessee shall at all times use reasonable care in all of Lessee's existing and future operations or any existing or future use of the Leverett Ranch to prevent injury or damage to the grass, crops, livestock, wildlife, buildings, fences, or other property situated on the Leverett Ranch, and shall either repair or replace any such damage injured or damaged property to the same or better condition as existed prior to such injury or damage. Lessee shall have the sole discretion to determine whether repair or replacement is the selected remedy. Any welding on the Leverett Ranch at the request of or for the benefit of Lessee is prohibited unless Lessee provides a water source or fire extinguisher to aid in fire suppression. Lessee shall further make all reasonable efforts to use existing roads or pathways or construct and maintain new roads or pathways covering the shortest distance between Lessee's exploration and production facilities and the nearest publicly accessible property boundary of the Leverett Ranch.

(e) The Well Site shall serve as a sanitary control easement for purposes of compliance with applicable regulations of the State of Texas. In addition to any agreement herein, Lessor agrees to execute and deliver to Lessee, no later than 30 days following the completion of the Llano 1 Well, a separate "Sanitary Control Easement" document in a form substantially similar to that set forth in Title 30, Texas Administrative Code, Section 290.47, or any applicable rule of the Texas Commission on Environmental Quality or any successor agency thereto, to provide sanitary control easements around the Llano 1 Well. Lessor hereby agrees and covenants to use the Sanitary Control Easement form attached hereto as Exhibit "3" in complying with its obligations under this paragraph. Lessee has the right, at its sole discretion, to withhold the payment of any rent otherwise due and owing to Lessor under this Lease until such time as Lessor has executed and delivered to Lessee a Sanitary Control Easement that substantially conforms with Exhibit "3".

10. PAYMENTS

All payments or tenders may be made by delivering or mailing cash, check, or draft, and the depositing of such cash, check, or draft in any post office, addressed to Lessor (at Lessor's address as herein provided) and shall be deemed payment or tender after the check or draft clears and funds are made available as herein provided. Lessor shall have the right to change Lessor's address by written notice to Lessee.

11. INDEMNIFICATION

(a) To the extent permitted by applicable law, Lessee shall defend, indemnify, protect and hold harmless Lessor, Lessor's family, heirs, successors, assigns, and other lessees, from and against any and all liens, claims, demands, costs (including but not limited to attorneys' fees, accountant's fees, engineer's fees, consultant's fees and expert's fees), expenses, damages, losses and causes of action for damages because of injury to persons (including death) and injury or damage to or loss of any property or improvements arising from or caused by the acts and/or omissions of Lessee and its agents, employees, or contractors on the Leverett Ranch.

(b) To the extent permitted by applicable law, Lessee shall also indemnify, defend and hold harmless Lessor, Lessor's family, heirs, successors, assigns, and Lessees, from and against any loss, liability, cost, expense or claim, including the imposition or recording of a lien, arising from and/or in connection with or resulting from Lessee's operations on the leased premises, including but not limited to costs of required repairs, clean up, or remediation and removal action under any federal or state environmental law that may result from the acts or omissions of Lessee or Lessee's agents and contractors on the Leverett Ranch. In the event that Lessee's operations result in a violation of any state or federal laws or regulations, Lessee agrees to satisfy the requirements of the governmental body enforcing those laws and regulations and provide Lessor with a confirmation that Lessee has satisfied the requirements or a letter evidencing that no further action is required.

(c) Lessee shall require that its contractors who enter the Well Site and the Leverett Ranch maintain commercial general liability insurance and auto liability insurance. Lessee shall require all contractors working on the Well Site and/or Leverett Ranch shall list Lessor as a named, additional insured on their commercial general liability insurance policies.

12. TAXES AND OTHER GOVERNMENTAL ASSESSMENTS

Lessee shall be responsible for all taxes, water fees, assessments, studies, management fees, levies, charges, or other surcharges of all and every kind (including any fees and taxes assessed by a Groundwater Conservation District or similar entity) associated with the production and use of the Groundwater, under the terms of this Lease, except that Lessor shall bear and pay (i) any ad valorem taxes assessed directly against Lessor, and (ii) any federal or state income taxes payable on the rental income and on the other compensation payable to Lessor under this Lease.

13. GROUNDWATER CONSERVATION DISTRICT

(a) If the Leverett Ranch or Groundwater are, or become, subject to the regulatory jurisdiction of a Groundwater conservation district, or other similar entity of the State of Texas, which regulates or limits the pumping of Groundwater, both Lessor and Lessee understand that Lessee may be prohibited by law from producing Groundwater from the Leverett Ranch unless said pumping is in accordance with regulations promulgated by the Groundwater Conservation District or any other governmental agency with lawful jurisdiction over the production, use, transport, and reuse of Groundwater. Lessor and Lessee agree to expedite, in a professional and cooperative manner, the joint beneficial effort of making application(s) for and completion of the administrative process to obtain the necessary permit(s) recognizing the right to drill for and pump Groundwater from the Leverett Ranch.

(b) Due to the unpredictability of events that might occur during the application, recognition, notice, and approval process, Lessor and Lessee agree to proceed as follows if any such application, recognition, notice, or approval process is necessary:

- (1) Lessee agrees to take any and all necessary steps to apply for the recognition of Lessee's rights to the Groundwater related to the Leverett Ranch and shall request (i) authorization to pump the maximum allotted acre feet per year of Groundwater related to the Leverett Ranch allowed by law, and (ii) authorization, if necessary, to transport the Groundwater. Lessor will take all reasonable steps to obtain approval of Lessee's application. Lessee shall be responsible for all expenses, costs, and fees necessary to complete the application process before the governing agency. Additionally, Lessee agrees to reimburse Lessor for all of Lessor's actual reasonable expenses, costs, and fees (including reasonable attorney's fees) necessary to complete the application process before the governing agency.
- (2) Lessor and Lessee agree to cooperate in a professional and expeditious manner to fully complete the administrative process regarding the application process identified in this Section.
- (3) All historical use relating to the Groundwater shall be deemed to have been withdrawn for the benefit of Lessee and thereby inure to the benefit of Lessee (the "**Historical Water Benefits**") during the term of this Lease. Upon the termination of this Lease, the Historical Water Benefits shall belong to Lessor, and Lessee will, at Lessor's written request, take reasonable business efforts to convey the Historical Water Benefits to Lessor.

14. WARRANTY

Lessor warrants that Lessee, on observing and performing the covenants and conditions on Lessee's part contained in this Lease, shall and may peaceably possess and enjoy the Well

Site, the Groundwater upon capture by Lessee, and the rights and privileges hereby granted during the Lease term without any interruption or disturbance from or by Lessor or any person claiming by or through Lessor except as may otherwise be expressly authorized herein.

15. ASSIGNMENT

The rights of any party hereto may be assigned in whole or in part. All of the covenants, obligations, and considerations of this Lease shall extend to and be binding upon the Lessor and Lessee named herein, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of the Leverett Ranch, rent or other monies, or any part thereof, however effected, shall increase the obligations or diminish the rights of Lessee, including, but not limited to, the location and drilling of wells and measurement of production.

16. FORCE MAJEURE

The term "Force Majeure" as employed herein shall mean: any act of God including but not limited to storms, floods, washouts, droughts, landslides, and lightning; acts of a public enemy, wars, blockades, insurrections, or riots; strikes or lockouts; epidemics or quarantine regulations; laws, acts, rules, orders, or requests of federal, state, municipal, or other political subdivisions of the United States government or the State of Texas, governments or governmental officers or agents under color of authority; freight embargos or failures; exhaustion or unavailability or delays in delivery of any product, labor, service or material. If Lessee is rendered unable, wholly or in part, to carry out any of its obligations under the Agreement, other than an obligation to pay money, as a result of Force Majeure, then such obligations of Lessee shall be suspended, to the extent affected by such Force Majeure, during the continuance of any inability so caused, provided that the Lessee gives Lessor notice of the Force Majeure as soon as reasonably practical, that the Lessee uses due diligence to resume performance at the earliest practical time, and that such suspension shall not extend for a period longer than two years.

17. DEFAULT

In the event of default by any party, a non-defaulting party may give the defaulting party written notice specifying the default (the "*Default Notice*"). If the defaulting party fails to fully cure any default that can be cured by the payment of money ("*Monetary Default*") within 60 days after receipt of the Default Notice, or fails to commence the cure of any default specified in the Default Notice that is not a Monetary Default within 60 days of the date of the Default Notice, and thereafter to diligently pursue such cure to completion, then the non-defaulting party may pursue all legal or equitable remedies, including but not limited to termination of the Lease, against the defaulting party available to it under the law.

18. NOTICES

(a) Any notice to be given hereunder by either party to the other party shall be in writing and may be effected by personal delivery, by facsimile, or by sending said notices by registered or certified mail, return receipt requested, to the address set forth below. Notice shall

be deemed given when received by facsimile, by personal delivery, or by overnight courier, or three days after deposited with the United States Postal Service with sufficient postage affixed.

(b) Any notice mailed to Lessee shall be addressed:

City of Llano
301 West Main Street
Llano, Texas 78643
Attn: City Manager

(c) Any notice mailed to Lessor shall be addressed:

William F. Leverett, Jr.
300 S. Lamar, No. 426
Austin, Texas 78704

(d) Either party may change the address for notice to it by giving notice of such change in accordance with the provisions of this paragraph.

19. APPROVALS

Whenever the term “approve” or “approval” is used in this Lease, neither the Lessor nor the Lessee will unreasonably withhold or delay it. Where approval is necessary, the party seeking approval may request approval in writing and the party providing approval shall provide a response in writing.

20. WAIVER

The failure on the part of either the Lessor or the Lessee to require performance by the other of any portion of this Lease shall not be deemed a waiver of, or in any way affect that party’s rights to enforce such provision. Any waiver by either the Lessor or the Lessee, or any provision of this Lease shall not be a waiver of any other provision hereof.

21. SEVERABILITY

The invalidity or unenforceability of any provision of this Lease shall not affect the validity or enforceability of any other provision of this Lease.

22. ATTORNEY’S FEES

In the event either party shall become a party to any litigation against the other to enforce or protect any rights or interest under this Lease and shall prevail, the losing party shall reimburse the prevailing party for all investigative and court costs and attorney’s fees incurred in such litigation to the extent such fees and costs are available to it under the law.

23. **GOVERNING LAW AND VENUE**

This Lease shall be governed by the laws of the State of Texas and the parties to this Lease hereby expressly submit themselves to the personal jurisdiction of the State of Texas.

24. **BINDING EFFECT**

The Lease shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

25. **TIME**

Time is of the essence. Unless otherwise specified, all references to "days" mean calendar days. If the date for performance of any obligation falls on a Saturday, Sunday, or legal public holiday, the date for performance will be the next following regular business day.

26. **NO PARTNERSHIP, AGENCY OR THIRD PARTY BENEFICIARIES INTENDED**

Nothing in this Lease will be construed as creating any form of partnership or joint venture relationship between the Lessor and the Lessee, nor shall either party be authorized to act as an agent for the other party. Nothing in this Lease shall be construed to confer any right, privilege or benefit on, or to otherwise create any vested right or third-party beneficiary relationship, with any person or entity not a party to the Lease.

27. **AUTHORITY**

Each of the persons signing on behalf of Lessor and Lessee hereby confirm that they have the authority to execute this Lease on behalf of the party indicated by their signature and have the authority to bind such party hereto.

28. **SURVIVAL**

Except as set out herein, all agreements and representations in this Lease shall survive the end of the Lease term. Upon termination of the Lease, the easement terminates and Lessor shall not be required to give Lessee access to the Leverett Ranch except for the removal of fixtures pursuant to Section 7 and the repair or replacement of damaged or injured property pursuant to Section 9(d).

29. **FURTHER ASSURANCES**

Lessor and Lessee shall take all further actions and shall execute and deliver to the other any other document or instrument which is necessary to fully carry out the transactions evidenced by this Lease. Lessor and Lessee shall cooperate with each other and act in good faith to accomplish the purposes of this Lease.

30. MEMORANDUM OF LEASE

Lessee shall have the authority to file a Memorandum of Lease as a public record to reflect its interest in the Lease. Should a Memorandum of Lease be recorded in lieu of a copy of this Lease, a copy of the Memorandum of Lease shall be provided to Lessor. When the Lease terminates, either the Lessor or the Lessee may record a written notice of Lease termination.

31. COMPLIANCE WITH ALL LAWS

Lessor and Lessee agree that each of them will comply with all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any of the authorities having jurisdiction in carrying out its duties and obligations hereunder. However, nothing contained in this Lease shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation in any forum having jurisdiction.

32. LIENS

Lessor and Lessee shall promptly pay, when due, all items for which they are responsible which may result in the placement of a lien on the Leverett Ranch and/or any Groundwater thereunder. If Lessor or Lessee fails to pay any such item, including, but not limited to, any tax, charge or assessment, or any mechanic's or materialmen's expenses, or if a lien is placed upon the Leverett Ranch and/or the Groundwater thereunder, the non-defaulting party shall have the right to make such payment and the defaulting party hereby covenants to reimburse the non-defaulting party, upon demand, for any amount so expended or paid, with interest thereon at the highest legal rate per annum from the date of such payment until the date of such reimbursement.

33. ENTIRE AGREEMENT

This Lease contains all agreements between the parties hereto and any agreement not contained herein shall not be recognized by the parties. The captions used herein are for convenience only and shall not be used to construe this Lease. Words of gender shall be construed to include any other gender, and words in the singular shall include the plural and vice versa unless the context requires otherwise.

34. MODIFICATION

The provisions of this Lease may be modified or altered only by written agreement between the parties hereto.

35. COUNTERPARTS

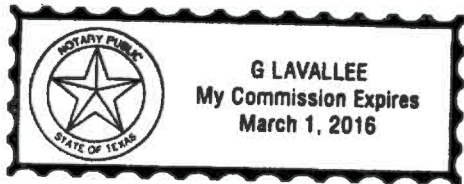
This Lease may be executed by the parties in any number of counterparts, each of which when so executed and delivered shall be deemed an original instrument, but all such counterparts together shall constitute but one and the same instrument.

LESSOR WILLIAM F. LEVERETT, JR.:

William F. Leverett, Jr.
William F. Leverett, Jr.

STATE OF TEXAS §
COUNTY OF LLANO §

This instrument was acknowledged and signed before me on the 17th day of February, 2015, by William F. Leverett, Jr.



G Lavallee
Notary Public, State of Texas
My Commission Expires _____

LESSEE CITY OF LLANO:

Mike Virdell
Mike Virdell, Mayor
City of Llano

STATE OF TEXAS §
COUNTY OF LLANO §

This instrument was acknowledged and signed before me on the 25th day of February, 2015, by Mike Virdell, City of Llano.



Toni Milam
Notary Public, State of Texas
My Commission Expires 5-4-2016

Hill Country Land Surveying, LLC

Boundary • Topographic • GPS

110 North Milam Street • Fredericksburg, Texas 78624

Phone 830-990-2665 • Fax 830-990-5095

Field Notes for a 1028.158 Acre Tract of Land

Being a 2402.243 acre tract of land, being approximately 53.325 acres out of the Texas W. N. G. Railroad Survey No. 1, Abstract No. 805, approximately 234.150 acres out of the Tyler Tap Railroad Co. Survey No. 3, Abstract No. 928, approximately 26.434 acres out of the Tyler Tap Railroad Co. Survey No. 4, Abstract No. 229, 675.631 acres out of the G. & B. Navigation Co. Survey No. 1, Abstract No. 1528, and approximately 35.937 acres out of the Day Land and Cattle Company Survey No. 2, Abstract No. 1396, all in Llano County, Texas, said 1028.158 acre tract of land also being out that certain 3381.73 acre tract of land conveyed to Stribling Limited Partnership by deed recorded in Volume 856, Pages 86-91, Official Public Records, Llano County, Texas, said 1028.158 acre tract being more particularly described by metes and bounds as follows:

Beginning at a ½" steel rod found for a reentrant corner of the herein described tract, a northwest corner of the Ruth Fowler 214.1 acre tract of land recorded in Volume 426, Page 103, Deed Records, Llano County, Texas;

Thence, with an easterly line of the herein described tract, the westerly line of the Fowler tract, S. 14°14'25" W., 851.18 feet to a 60d nail set at fence post for angle, S. 14°07'02" W., 655.87 feet to a 60d nail set at fence post for angle, S. 14°15'17" W., 850.45 feet to a ½" steel rod found for angle, and S. 14°11'37" W., 398.64 feet to a ½" steel rod found for a southwest corner of the herein described tract;

Thence, with a southwest line of the herein described tract, joining the northeast line of the Tillman Harlow 160 acre fourth tract recorded in Volume 212, Page 168, Deed Records, Llano County, Texas, N. 68°03'35" W., 557.98 feet to a 60d nail set at fence post for angle, N. 69°29'11" W., 1612.19 feet to a 60d nail set at fence post for angle, N. 69°33'23" W., 829.47 feet to a 60d nail set at a fence post for angle, N. 68°32'58" W., 1384.57 feet to a ½" steel rod found for angle, N. 76°56'25" W., 285.12 feet to a ½" steel rod found for angle, and N. 69°12'23" W., 843.83 feet to a 60d nail set for the southwest corner of the herein described tract, the southeast corner of the Tillman Harlow 533.33 acre First Tract recorded in Volume 187, Page 391, Deed Records, Llano County, Texas;

Thence, with the westerly line of the herein described tract, the easterly line of the Harlow tract, N. 14°17'31" E., 1280.44 feet to a 60d nail set at fence post for angle, N. 15°09'57" E., 770.16 feet to a 60d nail set at fence post for angle, N. 15°43'40" E., 950.53 feet to a 60d nail set at a fence post for angle, N. 15°29'09" E., 507.30 feet to a 60d nail set at a fence post for angle, N. 13°52'17" E., 647.54 feet to a 60d nail set at fence post for angle, N. 13°18'01" E., 661.24 feet to a 60d nail set at fence post for angle, N. 16°27'33" E., 501.94 feet to a ½" steel rod found for the western most northwest corner of the herein described tract;

Thence, across said 3381.73 acre tract, with a northerly line of the herein described tract, S. 71°59'16" E., 5316.64 feet to a ½" steel rod found for corner, N. 11°55'34" E., 2254.24 feet to a 4" steel pipe fence post for corner, and N. 79°16'56" E., 2773.63 feet to a ½" steel rod set in the west line of the Lupton Ranching 31.340 acre tract recorded in Volume 1239, Page 850, Official Public Records, Llano County, Texas, for the northeast corner of the herein described tract;

Thence, with the easterly line of County Road 312, the easterly line of the herein described tract, the westerly line of the Lupton 31.340 acre tract of land recorded in Volume 1239, Page 850, Official Public Records, Llano County, Texas, S. 09°08'34" E., 472.72 feet to a ½" steel rod found for angle, S. 12°49'11" W., 930.32 feet to a ½" steel rod found for angle, S. 13°51'07" E., 889.52 feet to a ½" steel rod found for angle, S. 13°19'33" W., 1033.47 feet to a ½" steel rod found for angle of the herein described tract, the southwest corner of said 31.340 acre tract, the northwest corner of the Tavenner and Carolyn Lupton 6.819 acre tract of land recorded in Volume 344, Page 342, Official Public Records, Llano County, Texas;

Thence, continuing along the easterly line of County Road 312, the easterly line of the herein described tract, the westerly line of said 6.819 acre tract, S. 13°41'16" W., 930.90 feet to a fence post found for angle, S. 05°41'26" E., 132.13 feet to a fence post found for angle, S. 07°32'01" E., 81.03 feet to a fence post found for angle, S. 11°10'29" E., 541.09 feet to a 60d nail set for angle, crossing County Road 312 S. 56°28'06" W., 36.81 feet to a fence post found for angle, S. 07°41'57" E., 91.79 feet to a 60d nail set for angle, and S. 02°22'52" E., 25.98 feet to a ½" steel rod set for a southeast corner of the herein described tract, the northeast corner of the Ruth Fowler 214.1 acre tract of land recorded in Volume 426, Page 103, Deed Records, Llano County, Texas;

Thence, with the southeast line of the herein described tract, the northwest line of the Fowler tract, S. 78°50'36" W., 46.86 feet to a ½" steel rod found for angle, S. 82°38'05" W., 1408.00 feet to a 60d nail found for angle, S. 82°41'07" W., 999.42 feet to a 60d nail found for angle, and S. 82°45'20" W., 1080.33 feet to the **Point-of-Beginning** and containing 1028.158 acres of land.

Note: This description is based on an on the ground survey performed on March 20-23, 2006.
A Survey Plat of the above described tract was prepared.



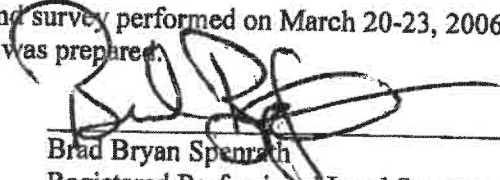
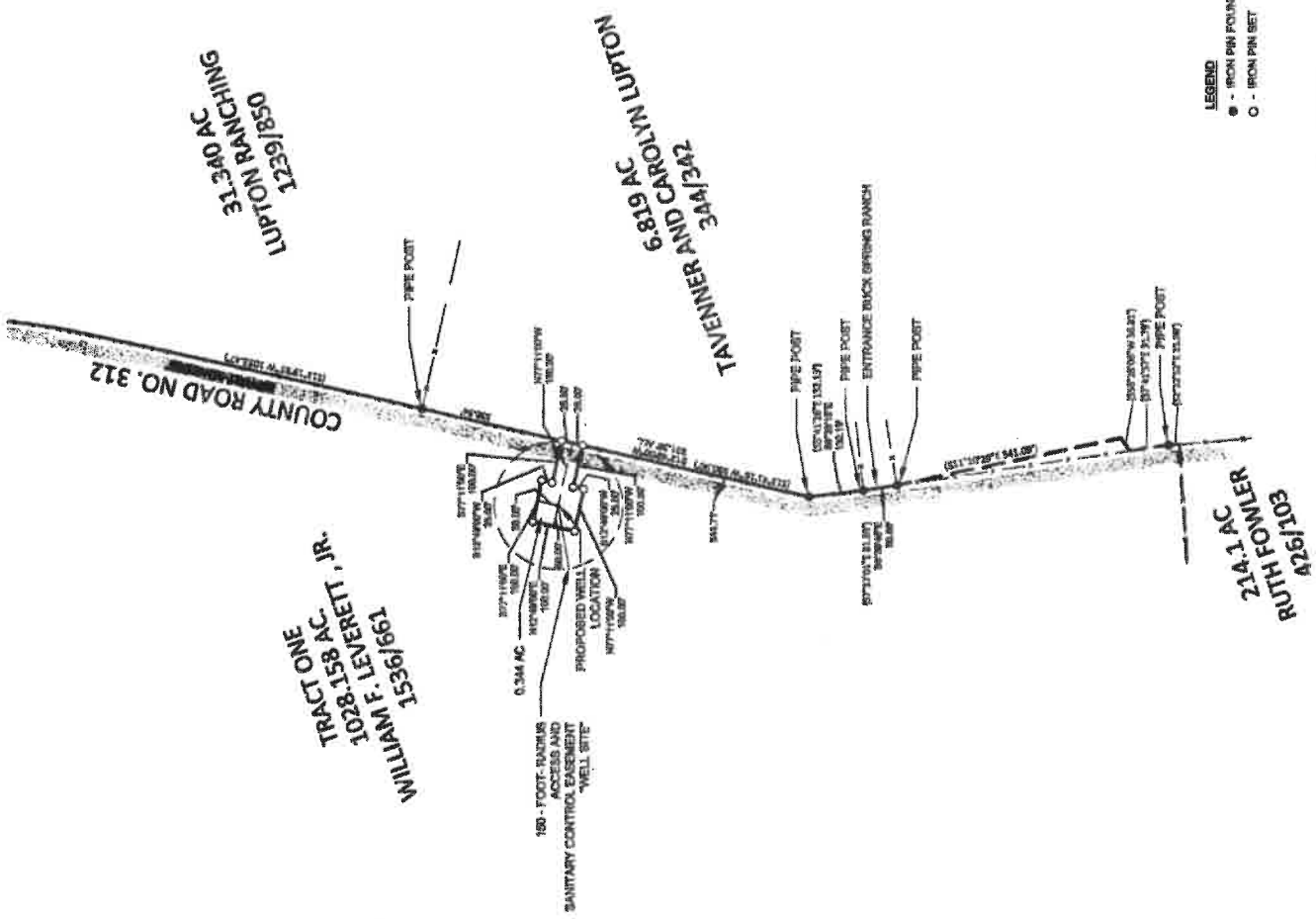

Brad Bryan Spenrath
Registered Professional Land Surveyor
No. 5357 Job # 11-5101-1

Exhibit 2



BASES OF BEARING AND OBSERVATION
TEXAS CERTIFIED STATE PLANE



LEGEND
● - IRON PIN FOUND
○ - IRON PIN SET

REVISED: 2-3-2016 DATE: 3-Feb-16
JOB No. 2234

STATE OF TEXAS
COUNTY OF WILLIAMSON
KNOW ALL MEN BY THESE PRESENTS:
I, Brian F. Peterson Registered Professional Land Surveyor, do hereby certify that the plat herein accurately represents the property as described by an on-the-ground survey made under my direction and supervision during the month of September, 2014, of the property legally described hereon and is correct.

TO CERTIFY WHICH, I WITNESS my hand and seal at Georgetown, Williamson County, Texas, this the 2nd day of February, 2014 A.D.



Brian F. Peterson
Registered Professional Land Surveyor, No. 3967
STATE OF TEXAS

**PROPOSED WATER
WELL LOCATION
CITY OF LLANO, TEXAS**

A Portion of the William F. Leverett, Jr. Tract
Tyler Tap Railroad Company Survey No. 3
Abstract No. 928
Llano County, Texas



OWNER: WFM S. AUSTIN AVENUE GEORGETOWN, TX 75628
DRAWN BY: STEGER & BIZZELL
DATE: 11-13-15
SCALE: AS SHOWN
REVISIONS: 1-1-15
APPROVED BY: STEGER & BIZZELL

DRAWN BY: [Blank] REVIEWED BY: [Blank] APPROVED BY: [Blank]

SANITARY CONTROL EASEMENT

DATE: _____, 2_____

GRANTOR(S):
GRANTOR'S ADDRESS:
GRANTEE:
GRANTEE'S ADDRESS:

SANITARY CONTROL EASEMENT:

Purpose, Restrictions, and Uses of Easement:

1. The purpose of this easement is to protect the water supply of the well described and located below by means of sanitary control.
2. The construction, existence, and/or operation of the following within a 150-foot radius of the well described and located below are prohibited: septic tank or sewage treatment perforated drainfields; areas irrigated by low dosage, low angle spray on-site sewage facilities; absorption beds; evapotranspiration beds; abandoned, inoperative or improperly constructed water wells of any depth; underground petroleum and chemical storage tanks or liquid transmission pipelines; sewage treatment plants; sewage wet wells; sewage pumping stations; drainage ditches which contains industrial waste discharges or wastes from sewage treatment systems; animal feed lots; solid waste disposal sites, landfill and dump sites; lands on which sewage plant or septic tank sludge is applied; lands irrigated by sewage plant effluent; military facilities; industrial facilities; wood-treatment facilities; liquid petroleum and petrochemical production, storage, and transmission facilities; Class 1, 2, 3, and 4 injection wells; pesticide storage and mixing facilities; and all other constructions or operations that could pollute the groundwater sources of the well that is the subject of this easement. For the purpose of this easement, improperly constructed water wells are those wells which do not meet the surface and subsurface construction standards for a public water supply well.
3. The construction, existence and/or operation of tile or concrete sanitary sewers, sewer appurtenances, septic tanks, storm sewers, cemeteries, and/or the existence of livestock in pastures is specifically prohibited within a 50-foot radius of the water well described and located below.
4. This easement permits the construction of homes or buildings upon the Grantor's property, and farming and ranching operations, as long as all items in Restrictions Nos. 2 and 3 are recognized and followed.

The Grantor's property subject to this Easement is described in the documents recorded at: Volume ____, Pages ____ of the Real Property Records of _____ County, Texas.

PROPERTY SUBJECT TO EASEMENT:

All of that area within a 150 foot radius of the water well located ____ feet at a radial of ____ degrees from the ____

DRAFT

corner of Lot ____, of a Subdivision of Record in Book ____,
Page ____ of the County Plat Records, _____ County,
Texas.

TERM:

This easement shall run with the land and shall be binding on all parties and persons claiming under the Grantor(s) for a period of two years from the date that this easement is recorded; after which time, this easement shall be automatically extended until the use of the subject water well as a source of water for public water systems ceases.

ENFORCEMENT:

Enforcement of this easement shall be proceedings at law or in equity against any person or persons violating or attempting to violate the restrictions in this easement, either to restrain the violation or to recover damages.

INVALIDATION:

Invalidation of any one of these restrictions or uses (covenants) by a judgment or court order shall not affect any of the other provisions of this easement, which shall remain in full force and effect.

FOR AND IN CONSIDERATION, of the sum of One Dollar (\$1.00) and for other good and valuable consideration paid by the Grantee to the Grantor(s), the receipt of which is hereby acknowledged, the Grantor does hereby grant and convey to Grantee and to its successors and assigns the sanitary control easement described in this easement.

GRANTOR(S)

By:

ACKNOWLEDGMENT

STATE OF TEXAS §

§

COUNTY OF §

BEFORE ME, the undersigned authority, on the day of _____, 2_____, personally appeared _____ known to me to be the person(s) whose name(s) is (are) subscribed to the foregoing instrument and acknowledged to me that executed the same for the purposes and consideration therein expressed.

Notary Public in and for
THE STATE OF TEXAS
My Commission Expires:
Typed or Printed Name of Notary

Recorded in _____ Courthouse, _____ Texas on _____, 2_____