



Metropolitan

Water Company, L.P.

EXPLORATION AND PRODUCTION OF GROUNDWATER RESOURCES

October 29, 2020

Good Afternoon Met Water Lessors and Lease rights owners:

Many of you I have known for a long time, and, quite a few of you going on 20 years. At the time that we signed the Groundwater Leases, it was anticipated that the groundwater would be developed for a large City. Twenty years ago was my first meeting with San Antonio Water Systems. And now, 20 years later, some 1,300 of the Groundwater Leases acquired by Metropolitan Water Company ("Met Water") have been allocated to our Vista Ridge Project, which is managed by Vista Ridge, LLC (and no relation to Blue Water Vista Ridge) for delivering 50,000 acre feet of water a year to the San Antonio region.

In October 2004, Met Water brought a group into the water development business named Blue Water Systems ("Blue Water"). Blue Water was brought into Met Water's Projects for the sole purpose of marketing the groundwater from the Met Water Leases and building the necessary infrastructure for delivering such water. Blue Water was unable to complete the required obligations to deliver a large quantity of water to the San Antonio region. Therefore, we brought in Garney Construction ("Garney") to develop and construct the Project, which is known as the Vista Ridge Water Supply Project. Garney managed the drilling of the 18 water wells that supply the water for the Vista Ridge Project. Garney was also responsible for constructing the 142 mile long Vista Ridge Pipeline, as well as the other related infrastructure facilities such as the pump stations, ground storage tanks and cooling tower. Garney completed construction and testing of the Vista Ridge Project in the Spring of 2020. EPCOR was selected by San Antonio Water Systems to be the company responsible for operating the Vista Ridge Project, including the payment of royalties for water sold. EPCOR mailed the initial royalty checks based on the cobbled together information that Blue Water provided to EPCOR. We have learned that much of Blue Water's information was erroneous and inaccurate and Met Water has been working to solve the problems many of you have been experiencing. Some of these problems that I have been made aware of include (i) people receiving checks who are not entitled to receive a check, which is due to a death or a sale of the property; (ii) people who are entitled to receive a check have not received one; (iii) wrong acreage amounts listed on checks and (iv) checks being mailed to addresses that have not been used in many years.

In connection with getting this Project built, Met Water allocated some 1,300 of its Groundwater Leases covering approximately 50,000 acres of land to the Vista Ridge Project. Met Water then assigned these 1,300 Groundwater Leases to the Vista Ridge Project in October 2014. In conjunction with and as a part of such Lease Assignment made in October 2014, Met Water remained responsible for the Lease Administration



Met Water Lessors and Lease rights owners
October 29, 2020
Page Two

responsibilities for all of the 1,300 Groundwater Leases allocated to the Vista Ridge Project. Such Lease Administration responsibilities are exactly what Met Water has been doing the last 20 years for all of its some 6,500 Leases, not to mention the last 6 years, as the Lease Administrator for all the Leases in the Vista Ridge Project.

Blue Water, the group that Met Water brought into the water development business in 2004, is now claiming, for the last few months, that they are responsible for performing the Lease Administration responsibilities associated with Leases allocated to the Vista Ridge Project. Blue Water claims that they signed an Agreement in 2015 with another group that gave them these Lease Administration responsibilities. However, Met Water, who is the Lease Administrator, never signed such Agreement transferring the responsibilities to Blue Water.

In May 2016, Met Water and Blue Water entered into an Agreement pertaining to the Vista Ridge Project and in this Agreement, Blue Water relinquished whatever Lease Administration responsibilities that it might have had, if any, in the Vista Ridge Project. And, during this time, Met Water has continued to be responsible for Lease Administration responsibilities.

Currently, Met Water and Blue Water are involved in litigation concerning the issue of Lease Administration. Blue Water initially sought relief from the Courts. Two (2) Court of Appeals (the Tenth Court of Appeals in Waco and the Fourteenth Court of Appeals in Houston) have recently ruled on three (3) different occasions against Blue Water and in favor of Met Water that the Status Quo requires Met Water to continue as the Lease Administrator of the Vista Ridge Groundwater Leases. The litigation of this matter will hopefully be resolved by the end of 2021.

In an attempt to further assert their claim for being responsible for the day to day management of the Leases Met Water allocated to the Vista Ridge Project, Blue Water sent many of you a letter asserting such claim. In this letter, Blue Water States that they will continue to be responsible for day to day management of the Vista Ridge Leases. My response to the many of you that have called me is that it's hard to continue to do something when you have never done it before. During these phone calls, I have been told that the Blue Water letter tells you to call a group called Trinity Property Management with any questions that you might have. Many of you have called them numerous times and left messages, but they have not called you back. With regard to the few of you that they have actually called back, the experience with them was described like the Deer in the headlights - they do not have a clue what they were doing. A number of you have called and questioned the legitimacy of Blue Water. You are not familiar with Blue Water because they have not participated in the local community events and they are not involved in the day to day management of the Leases. You know Met Water well from your interactions with the office staff, as well as Met Water's participation in local community events, including the County Fairs.



Met Water Lessors and Lease rights owners
October 29, 2020
Page Three

I have been told that a number of you have received a letter from Resource Financial, L.L.C. offering to purchase your groundwater rights. Their offer to you is based upon paying you a lump sum amount equal to 48 months of your last monthly royalty check amount. Due to the vast amount of deep groundwater in this region, monthly royalties are anticipated to go on for 2,400 months or longer. According to the Texas Secretary of State's Website, the organizer for Resource Financial, L.L.C. is William E. Bryant, a lawyer with the law firm of Dubois, Bryant and Campbell. William E. Bryant is also a lawyer for Blue Water Systems/Ross Cummings. I am still attempting to determine what, if any, connections there are between Blue Water Systems/Ross Cummings and Resource Financial, L.L.C.

My opinion is that the offer from Resource Financial, LLC to purchase your water rights is unfair and not reasonable. Should you be interested in selling your Water rights, please contact me and I will work to find you a fair offer.

As you have done all of these years, continue to send any changes of ownership or changes in your address to the Met Water office and we will update the Groundwater Lease files like we have always done. And, do not hesitate to call me with any questions at any time.

Very truly yours,

METROPOLITAN WATER COMPANY, L.P.



W. Scott Carlson

WSC/bsc

cc: Ross Cummings
Blue Water Systems