

7. Termination of Service. The following provisions govern the termination of service with regard to a Utility Customer.

a. **Bases.** Termination of Service may occur as provided in this Subsection 7.:

(1) At the request of the Utility Customer; or

(2) By the District in the event of a Disconnection of Service under this Order.

b. **Termination Date.** The date of the Utility Customer's Termination of Service shall be (1) as soon as practicable in the event of the Utility Customer's request for disconnection, and (2) on or after thirty (30) days following the District's Disconnection of Service, unless the Utility Customer obtains reconnection of service as provided by Subsection D.14, or as otherwise provided by this Order.

c. **Procedure.** When Termination of Service occurs, the District shall calculate the amount of any unpaid amounts payable to the District for fees or utility service, including any delinquent charges and penalties. If the amount payable exceeds the deposit amount held by the District for the account of the Utility Customer, the deposit shall be liquidated and the unpaid balance shall be billed to the Utility Customer in the District's next billing to its Customers. If the amount payable is less than the deposit amount held by the District for the account of the Utility Customer, the District shall refund the excess amount to the Utility Customer as provided by Paragraph 7. d. below.

d. **Refunds.** A Utility Customer may elect at the time of voluntary termination of service to receive any payable refund (1) in person at the District's office, following subsequent verbal notification by the District to the Utility Customer, either in person or by telephone, or (2) by United States Regular Mail, provided, that such refund is in the amount of \$5.00 or more. If no election is made, the District shall mail any refund to the Utility Customer by United States Regular Mail to the Utility Customer's service address, provided, that no refund in an amount less than \$5.00 shall be delivered by mail. Refunds of \$5.00 or less shall be delivered in person. All refunds delivered in person shall be made at the District's offices to (1) the Utility Customer, upon sufficient identification, or (2) the Utility Customer's representative authorized in writing, upon sufficient identification.

- e. **Collection of Unpaid Balances.** In the event that an unpaid balance exists following the liquidation of the Utility Customer's deposit, the District may collect the unpaid account balance through all lawful means. At the discretion of the District's board of directors, unpaid and uncollectable account balances may be written off the District's records at the recommendation of the District's General Manager.

8. *Disconnection or Denial of Utility Service.* As further provided by Subsection D.13., the District may disconnect existing service to a Utility Customer or deny service to an Applicant for the following reasons, in addition to those specified in Paragraph 6.c. above:

- a. The failure of an Applicant or Utility Customer to complete the Service Application for Standard or Non-Standard Service, as applicable, the applicable Standard Service Agreement or the required Non-Standard Service Agreements required under Section E. of this Order, and pay all required fees and charges;
- b. The failure of an Applicant or Utility Customer to comply with the Service Agreement, any provision of this Order and the District's policies, as applicable, including but not limited to the District's Water Conservation Plan;
- c. The existence of a hazardous condition at the Applicant's property;
- d. The failure of an Applicant or Utility Customer to provide to the District access to the property for which water or sewer service is provided or has been requested. For the purpose of this paragraph, Paragraph 21.a. and Subparagraphs 3.a.(2), 13.a (5), 13.b.(1), 21.c.(2) and 21.c.(5) in Section D. of this Order, "access" means (1) legal access satisfactory to the District, and (2) physical access to the meter or other areas of the property, as required by District personnel, without the risk of injury or danger occasioned by the acts or omissions of the owner or occupant of the property, including but not limited to the existence of a hazardous condition on the property;
- e. The failure of an Applicant or Utility Customer to provide a sanitary control easement with regard to property for which such an easement is required under 30 Texas Administrative Code, Section 290.41;

- f. The failure by any Applicant, Utility Customer, property developer, commercial builder or other entity to comply with applicable statutes and the regulations of federal, state and local authorities, including this Order, the District's Ordinances, or any contract conditions or other requirements that govern the Standard or Non-Standard Service requested by any Applicant or provided by the District to any Utility Customer;
- g. The failure of an Applicant or Utility Customer to timely pay any lawful fines or civil penalties imposed by the District pursuant to a District Ordinance;
- h. The failure of an Applicant or Utility Customer to provide proof of ownership of the applicable property;
- i. The inadequacy of the Applicant's existing service facilities to the extent that satisfactory service cannot be provided;
- j. The commission of a prohibited activity as defined in Subsection D.20; or
- k. Pursuant to a contract to disconnect water service in lieu of the disconnection of wastewater service under Section 13.250(b)(2), Texas Water Code.

9. *Recourse by Applicant or Utility Customer.* If the District denies or refuses service to an Applicant under this Order, the District shall notify the Applicant, in writing, of the basis of its refusal, and the Applicant may file an appeal in writing with the District's Board of Directors.

10. *Impermissible Bases for Refusal of Service.* The following bases for refusal to connect or reconnect service that does not currently exist are not permitted:

- a. Delinquency in payment for service by a previous occupant, other than the Applicant, of the premises to be served;
- b. Failure to pay a bill to correct previous underbilling due to misapplication of rates more than six (6) months prior to the date of application;
- c. Operation by the Applicant or Utility Customer of non-standard equipment or unauthorized attachments that interfere with the provision of service to other Utility Customers, unless the Applicant or Utility Customer has been notified and afforded a reasonable opportunity to remove such equipment or attachments or otherwise comply with the District's requirements; and

- d. Failure to pay the billing of an unrelated or unaffiliated customer at the same address.

This Paragraph 10. does not apply to disconnections of existing water or sewer service.

11. *Billing, Payment and Deferred Payment Agreements.* Water and sewer utility usage billings shall be calculated and billed to Utility Customers as follows:

- a. The Reserved Service Charge or any minimum monthly charge shall be applied each month to the appropriate billing period for meters in the area. Charges shall be prorated for meter installations and service terminations falling during the calendar month. Billings for these amounts shall be delivered by U.S. first class mail, or at the Utility Customer's option, by email, with the water usage billings that follow each monthly meter reading.
- b. Water and sewer usage shall be billed at the rates specified in Section C. With the exception of the estimated billings otherwise authorized by this Order, which shall be based on estimated average usage for the applicable metering period, water usage charges shall be based on monthly meter readings and calculated from reading date to reading date. Readings used in all billing calculations shall be taken by the District's employees or its designated representative.
- c. The District will accept payment from a Utility Customer in person, by mail or by electronic means to the District's depository bank on terms established by the District in its Service Agreement or by further agreement with the Utility Customer. At the Utility Customer's election, provided to the District in writing, the District will deliver customer billings and all related billing notices by email to the email address designated by the Utility Customer, provided, that such email address shall be deemed to be Utility Customer's address of record for notice purposes for any Utility Customer that so elects until the Utility Customer changes or withdraws such election in writing.
- d. All payments shall be posted against previous balances prior to posting against current billings.
- e. The District may offer a deferred payment plan to a Utility Customer who reasonably demonstrates the inability to pay an outstanding balance in full and to pay the balance in reasonable installments as determined by the District, including any late payment or penalty fees or interest on the monthly balance to be determined by agreement. This provision does not apply to the payment of fines and civil penalties imposed under the District's ordinances.

- 12. Due Dates, Delinquent Bills, and Service Disconnection Date.** The District shall send monthly billings to its customers based on meter readings by the District for metering periods of approximately thirty (30) days. Following each metering period, customer billings shall be delivered by U.S. first class mail or, at the Utility Customer's option, by email, on or about the 30th of the month. All bills shall be due upon receipt and are past due beyond the past due date indicated on the bill, after which a penalty shall be applied as described in Subsection C.7. of this Order. A bill is delinquent if not paid before midnight on the past due date. Payments made by mail are late if they are received by the District after the past due date. Final notices shall be mailed allowing ten (10) additional days for receipt of payment by the District prior to disconnection for nonpayment. The ten (10) additional days shall begin on the day the final notice is delivered by email or deposited with the U.S. Postal Service with sufficient postage. If the past due date for the regular or final billings is on a weekend or holiday, the past due date for payment purposes shall be the next day the District office is open for business after said weekend or holiday. For all disputed payment deadlines, the email delivery date or date postmarked on each bill will determine the beginning of each billing cycle or the final notice billing period.

If access to the Utility Customer's premises is denied, thereby preventing the reading of the meter, an estimated bill shall be rendered to the Utility Customer for the current month and a notice shall be sent that entrance could not be gained. If access to the meter continues to be denied after proper notification to the Utility Customer, service may be discontinued and the meter removed as set forth in Paragraph D.13.a.

Upon written request, any residential customer sixty (60) years of age or older who occupies the entire premises of a dwelling receiving water utility service from the District shall receive an extension of the past due date, without penalty. The extension shall not exceed ten (10) days beyond the usual fifteen (15) day payment period for a total of no more than twenty-five (25) days from the date the bill is issued. The request may specify extension of the late payment periods for current and subsequent billings.

- 13. Rules for Cancellation or Disconnection of Existing Service.** The following paragraphs further describe the rules and conditions for cancellation and disconnection of existing water and wastewater service.

- a. **Disconnection with Notice.** Water or wastewater utility service may be disconnected for the following reasons after notice is delivered to the Utility Customer.
 - (1) In the event a check, draft, or any other similar instrument is given by a person, firm, corporation, or partnership to the District for payment

of services provided for in this Order, and the instrument is returned by the bank or other similar institution as insufficient or non-negotiable for any reason. In such event the District shall mail, via the U.S. Postal Service, or by email if the Utility Customer has elected to receive billings by email, a notice requiring redemption of the returned instrument within ten (10) days of the date of the notice to be made in the District office. Redemption of the returned instrument shall be made by cash, money order, or cashier's check. Failure to meet these terms shall initiate disconnection of service;

- (2) Failure to pay a delinquent account for utility service or failure to comply with the terms of a deferred payment agreement;
- (3) Violation of the District's service rules, any provision of this Order and the District's policies, material interference with the performance of the District's lines and equipment or its ability to provide water and sewer service to its other customers, or the operation of non-standard equipment or equipment disapproved by the District, if the Utility Customer is provided with notice and a reasonable opportunity, after notice, to replace or correct such equipment;
- (4) Failure of the Utility Customer to comply with the terms of (a) the District's Standard or Non-Standard Service Agreement with the Utility Customer, or any other agreement that applies to the service provided to such Utility Customer, (b) any provision of this Order or the bylaws and policies of the District, including but not limited to the District's Water Conservation Plan, or (c) any federal, state or local statute or regulation that applies to the District's delivery of water or sewer utility services to the Utility Customer, including the District's Ordinances, provided, that except as provided by Paragraph 13.b. below, the District has given the notice required thereby of said failure to comply, and the Utility Customer has failed to comply within the specified amount of time after notification;
- (5) Failure to provide legal and physical access, as defined by this Order, (a) to the meter, as well as the equipment and water or wastewater lines on the Utility Customer's property on the customer side of the meter under the terms of this Order, or (b) to the property at which water or wastewater service is received, when the Utility Customer or occupant of the service address is notified that a violation of this Order or the District's policies may exist at such address, for which access is necessary to verify;

- (6) A material misrepresentation by any Applicant or Utility Customer of any fact on any form, document, or other agreement required by the District; or
 - (7) Failure of a Utility Customer to re-apply for service upon notification by the District that the Utility Customer no longer meets the terms of the service classification determined under the original service application.
- b. **Disconnection Without Notice.** Water or wastewater utility service may be disconnected without notice for any of the following reasons:
- (1) If the District determines the existence of a hazardous condition as defined by this Order, including but not limited to (a) noncompliance with the terms of Subparagraphs D.21.c.(1) through (5) of this Order, or (b) any other condition for which service may remain disconnected for as long as the condition exists under applicable law, or if the Utility Customer refuses to provide legal and physical access to the service address for the purpose of confirming the existence of such condition and/or correcting it;
 - (2) The introduction of a prohibited substance into the District's water or wastewater facilities, lines and equipment;
 - (3) The unauthorized connection of service by a person who is not a Utility Customer, has not made application for service or reconnected service without authority following disconnection of service; or
 - (4) If the District determines the existence of tampering with the District's meter or equipment, bypassing the meter or equipment or other diversions of service.

Whenever possible, the nature of the reason for disconnection, a written statement of disconnection and the reason therefor shall be posted at the place of common entry or upon the front door of each affected residential unit as soon as possible after service has been disconnected. If the Utility Customer has elected to receive electronic billings, such statement shall also be provided by email.

- c. **Manner of Disconnection.** Disconnection of water service will ordinarily be effected by the removal of the meter, provided, that the District in its discretion may remove the water tap if (a) the utility customer has discontinued service after installing a water well, (b) the District develops evidence that theft or diversion of water has occurred at the location to be disconnected, or (c) the Utility Customer has violated a District policy for which disconnection may occur that is also a violation of the District's Ordinances.

For the purposes of disconnecting wastewater service under these policies, water service will be disconnected in lieu of disconnecting wastewater taps. In instances of nonpayment of wastewater service or other violations by a Utility Customer who is not a water customer, the District has the option to disconnect the wastewater tap or take other appropriate actions.

- d. **Disconnection Prohibited.** Utility service may not be disconnected for any of the following reasons:

- (1) Failure of the Utility Customer to pay for merchandise or charges for non-utility service provided by the District, unless an agreement exists between the Applicant and the District whereby the Utility Customer guarantees payment of non-utility service as a condition of service;
- (2) Failure of the Utility Customer to pay for a different type or class of utility service unless a fee for such service is included in the District's monthly billing;
- (3) Failure of the Utility Customer to pay charges arising from an underbilling that occurred as the result of any misapplication of rates more than six (6) months prior to the current billing;
- (4) Failure of the Utility Customer to pay the account of another Utility Customer as guarantor thereof, unless the District has in writing the guarantee as a condition precedent to service to the guarantor;
- (5) Failure of the Utility Customer to pay charges arising from an underbilling due to any faulty metering, unless and until such charges are properly rebilled as provided by Subsection D.16, provided, that this paragraph shall not apply to underbilled charges on a meter that has been tampered with as described in Subsection D.20. below; or
- (6) Failure of the Utility Customer to pay an estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the District is unable to read the meter as a result of denial of access to

the meter.

- e. **Disconnection on Holidays and Weekends.** Unless a hazardous or other condition exists under Paragraph D.13.b. or the Utility Customer requests disconnection, service shall not be disconnected on a day, or on a day preceding a day, when personnel of the District are not available to the public for the purpose of making collections and reconnecting service.
- f. **Disconnection Due to Utility Abandonment.** The District may not abandon a Utility Customer or service area defined by a Certificate of Convenience and Necessity except as provided by applicable law.
- g. **Disconnection for Ill and Disabled.** The District may not discontinue service to a delinquent residential Utility Customer who is permanently residing in an individually metered dwelling unit if the Utility Customer establishes that discontinuance of service will contribute materially to or seriously aggravate a serious illness of a person who resides at the metered residence. To avoid disconnection of service under this subsection, the Utility Customer must respond immediately to the District's delivery of notice of impending disconnection of service, and thereafter have the attending physician of the person with the illness call or contact the District within seven (7) days of the delivery of notice. A written statement must be received by the District from the physician within three (3) additional days of the physician's call or ten (10) days from the delivery of the District's notice. If permitted, the prohibition against service disconnection shall continue for the lesser of sixty-three (63) days from the issuance of the District's notice of impending disconnection of service or such lesser period as may be agreed to by the District, based on the information provided by the Utility Customer's physician. In all such cases, the Utility Customer shall enter into an appropriate Deferred Payment Agreement. This provision does not apply to disconnections without notice under Paragraph D.13.b., however, the District will apply this provision, if otherwise appropriate, to a lawful reconnection if the bases for disconnection without notice are eliminated.
- h. **Disconnection of Master-Metered Services.** If a bill for water utility services is delinquent for a master-metered service complex, the following shall apply:
 - (1) The District shall send a notice to the Utility Customer as required. Such notice shall also inform the Utility Customer that notice of possible disconnection will be provided to the tenants of the service complex in six (6) days if payment is not rendered before that time.
 - (2) At least six (6) days after providing notice to the Utility Customer and at least four (4) days prior to disconnection, the District shall

post at least five (5) notices in public areas of the service complex notifying the residents of the scheduled date for disconnection of service.

- (3) The tenants may pay the District for any delinquent bill on behalf of the owner to avert disconnection or to reconnect service to the complex.

- i. **Relocation of Meters and Related Equipment.** If disconnection occurs because of a denial of physical access by the Utility Customer to the District, as defined by this Order, the District may require the relocation of the meter and related equipment to which access has been denied. In that event, such relocation shall be to a location on the Utility Customer's property that is satisfactory to the District and provides the required physical access as defined by this Order. Any such relocation shall be performed by District personnel and at the expense of the Utility Customer.

14. *Reconnection of Service.* Except as otherwise provided in this Order, a Utility Customer may obtain reconnection of service after service has been disconnected upon compliance with the following requirements:

- a. Payment of all costs and fees under Subsections C.9. and C.11. of this Order, together with any unpaid billings for service, including estimated charges for service diverted by the means described in Paragraph D.20.a., and any unpaid fees and deposits that are properly chargeable to a new Applicant for service or as provided by Paragraph 2.d., Additional Fees, in Section C. of this Order;
- b. Payment of any unpaid fines and penalties imposed under the District's ordinances;
- c. Correction of any condition on the Utility Customer's property that either violates this Order or is the reason for the disconnection of service; and
- d. Compliance with applicable federal, state and local law and regulations, the District's policies and Service Agreement, and the other terms of this Order.

As further provided by Paragraph 2.d., Additional Fees, in Section C. of this Order, increased deposits may be required in the discretion of the General Manager as a condition of reconnection of service under this Subsection D.14. As further provided by Paragraph D.13.h. of this Order, the District may require the relocation of the Utility Customer's meter and related equipment to an accessible location, at the Utility Customer's expense, as a condition of reconnection under this Subsection D.14. if the reason for disconnection of

service is the Utility Customer's denial of physical access to the meter or other areas of the property to which access is required by District personnel.

15. *Billing Cycle Changes.* The District may change its metering period and billing cycle from time to time at the discretion of the board of directors. Following any such change, customer billings shall be delivered by U.S. first class mail or, at the Utility Customer's option, by email, after the conclusion of the new metering period unless the District determines otherwise.

16. *Re-billing for Errors.* The District may re-bill a Utility Customer for up to forty-eight months for meter error, misapplied meter multiplier, incorrect meter readings or other error in computing a Utility Customer's bill. The failure to pay the most recent six (6) months re-billing will result in the disconnection of service after notice, and the requirement to reestablish credit. Re-billing for errors shall not extend prior to the current Utility Customer except in cases involving the transfer of service conditioned upon payment of delinquent obligations by the transferee.

17. *Disputed Bills.* In the event of a dispute between the Utility Customer and the District regarding any bill, the District shall forthwith conduct such investigation as shall be required by the particular case, and report the results in writing thereof to the Utility Customer. All such disputes must be submitted to the District in writing, prior to the due date posted on said bill except in cases involving the transfer of utility service conditioned on payment of delinquent obligations by the transferee.

18. *Inoperative Meters.* Inoperative water meters, meaning water meters that fail to register measurable water flow for any time period, shall be repaired or replaced within a reasonable time of their discovery. If an inoperable meter is found, the District shall make a charge for utility service used, but not metered, for a period not to exceed three (3) months, based on amounts used under similar conditions during the period preceding or subsequent thereto, or during corresponding periods in previous years.

19. *Billing Adjustments.* Adjustments by the District to customer billings may occur on the bases set forth in Paragraphs a. and b. below.

- a. **Meter Error.** The District shall test any Utility Customer's meter upon written request of the Utility Customer. In the event the meter tests within the accuracy standards of The American Water Works Association or other recognized authority, the test fee prescribed in Subsection C.13. of this Order shall be imposed. The test fee shall be waived if the meter does not test within the accuracy of such standards. In the event the test results indicate that the meter is faulty or inaccurate, a billing adjustment may be made for the billing periods up to six (6) months prior to the test date, but not extending prior to the current Utility Customer except in cases involving the transfer of service is conditioned on payment of delinquent obligations by

the transferee. The District's General Manager shall effect any such adjustment, at his discretion, subject to the standard that for any adjusted billing periods the adjusted amount shall be calculated on the basis of the Utility Customer's water usage in the corresponding months of prior years, or such other month or months as the General Manager shall determine if the Utility Customer has no corresponding account history with the District.

- b. **Other Bases for Adjustment Presented by Utility Customers.** The following additional bases for adjustment shall be considered by the District as set forth below:

- (1) **Metering Period Adjustments.** At the request of a Utility Customer, a Utility Customer billing based on a current metering period in excess of thirty five (35) days shall be adjusted to provide for the current metering period on such billing to be recalculated on the basis of a thirty (30) day period, assuming the average of the Utility Customer's daily usage during the current metering period as shown on the billing. The amount not billed to the Utility Customer by reason of the adjustment shall be billed to the Utility Customer in the billing for the succeeding metering period, and shall not be considered in any subsequent request for a metering period adjustment under this paragraph.
- (2) **General Manager Adjustment Discretion.** Subject to additional policies adopted by the District from time to time, The General Manager is authorized at his discretion to approve billing adjustments for metering periods in which the District confirms that the Utility Customer's billing was increased as a result of an error in reading the meter of a Utility Customer, leaks or malfunctions in the District's lines, equipment and connections, or operations for which the District is exclusively responsible. Generally, any such adjustment shall be limited to the amount in excess of (a) the Utility Customer's ordinary water usage during the same metering periods in prior years, if the Utility Customer has comparable prior account history with the District, and (b) if no such history exists for the Utility Customer, such comparable metering or calendar period as the General Manager shall determine.
- (3) **Action by the Board of Directors.** In addition to any review it may undertake of actions by the General Manager under this Subsection 19., the board of directors will consider, in its discretion, timely filed Utility Customer requests for billing adjustments on the grounds stated in this paragraph. Those grounds include adjustments requested for water loss asserted by the Utility Customer by reason of

underground leaks, home plumbing leaks, customer equipment malfunctions, weather damage, acts of God or other events pertaining to water loss on the Utility Customer side of the District's meter. Any such request shall be in writing and set forth the reasons for the proposed adjustment. The request shall be filed with the District within thirty days of the billing date of the first District billing that reflects the Utility Customer's water loss. In addition, any such request shall set forth the completion of repairs by the Utility Customer of the malfunction, damage, lines or equipment of the Utility Customer that pertain to the request for adjustment. Only one such request may be filed by a Utility Customer within a consecutive twenty four (24) month period or within twenty four (24) metering periods, whichever is greater. Generally, any billing adjustment approved by the board under this paragraph shall be limited to the amount in excess of (a) the Utility Customer's ordinary water usage during the same metering periods in prior years, if the Utility Customer has comparable prior account history with the District, and (b) if no such history exists for the Utility Customer, such comparable metering or calendar period as the board of directors shall determine.

20. Prohibited Activities. The following activities by any individual or entity, including but not limited to any Applicant, Utility Customer or user of water or wastewater service through any meter or facilities owned by the District, or provided by the District for a Utility Customer, are strictly prohibited:

- a. **Meter Tampering and Diversion.** Meter tampering, bypassing and water diversion, including tampering with the District's meter or equipment, bypassing such equipment, removing a locking or shut-off device used by the District to discontinue service, removing or tampering with a water flow restrictor installed by the District, physically disorienting the meter, attaching objects into the meter and other electrical and mechanical means of tampering with, bypassing or otherwise diverting service, including but not limited to the use of any device that materially impedes the District's maintenance of water supply or water pressure to other customers of the District, is prohibited. Proof of meter tampering, bypassing or diversion may be made by photographic or other reliable evidence, and may be accompanied by an affidavit by the District's staff when legal action regarding meter tampering is initiated. A court finding of meter tampering may be used instead of photographic or other evidence, if applicable. In all instances, unauthorized users of services of the District may be prosecuted to the extent allowed by law under the Texas Penal Code. Upon a determination by the District's General Manager that a violation of this Paragraph D.20.a. has occurred, the General Manager may at his discretion authorize the District's removal of the line tap, in addition to the meter, to prevent further

theft or diversions of service.

- b. **Prohibited Substances.** The introduction into the District's facilities, lines or equipment of any pollutant, prohibited substance defined by this Order, or wastewater containing any pollutant or prohibited substance, or the introduction of any substance into such facilities, lines or equipment that creates a public health hazard, interferes with the District's water delivery, water quality or wastewater treatment processes, or interferes with the operation or performance of the District's water or wastewater facilities, lines or equipment, whether directly or indirectly, by any means, by any Applicant, Utility Customer, developer, builder or other person or entity, is prohibited.

Such prohibited substances include but are not limited to the following:

- (1) Inflows or infiltration from sources including but not limited to stormwater, groundwater, roof runoff, sub-surface drainage, noncontact cooling water, downspouts, yard drains yard fountains or ponds or lawn sprinklers.
- (2) Liquids, solids or gases which, by reason of their nature or quantity, whether alone or by interaction with other substances, may cause fire or explosion, or be injurious in any other way to the District's water or wastewater facilities, lines or equipment, or their operation.
- (3) Solid or viscous substances which may cause obstruction to the flow in the District's water or wastewater facilities, lines or equipment, or other interference with their operation, including, but not limited to garbage containing particles greater than one-half inch (1/2") in any dimension, animal or tissues, paunch manure, bones, hair, hides or fleshings, entrails, whole blood, feathers, ashes, cinders, sand, spent lime, stone or marble dust, metal, glass, straw, shavings, grass clippings, rags, spent grains, spent hops, waste paper, wood, plastics, oils, gasoline, other fuels, tar, asphalt residues, paint solvents, residues from refining or processing of fuel or lubricating oil, mud, glass grindings or polishing wastes.
- (4) Wastewater having a PH less than 5.0 or higher than 10.0, or wastewater having any other corrosive property capable of causing damage or hazard to the District's water or wastewater facilities, lines or equipment.

- (5) Wastewater containing toxic pollutants in sufficient quantity, whether singly or by interaction with other pollutants, to injure or interfere with any wastewater treatment process, or which constitutes a health or safety hazard to humans or animals, creates a toxic effect in the plant effluent or receiving waters of the District's water or wastewater facilities, or exceed any limitation provided by federal, state or local law.
- (6) Radioactive materials or isotopes of such half-life or concentrations that permit a transient concentration higher than the standards established by federal, state and local law.
- (7) Any trucked or hauled pollutants of any type or nature.
- (8) Any noxious or malodorous liquids, gases or solids which, whether singly or by interaction with other wastes, may prevent the entry or approach by District personnel into its facilities, lines or equipment.
- (9) Any substance that may interfere with laboratory analyses performed by the District of water, wastewater or effluent.
- (10) Any substance that might cause the wastewater effluent or other products of the District's wastewater treatment processes, such as residues, sludges, or scums, to be unsuitable for reclamation, reuse or disposal.
- (11) Any substance that causes the noncompliance of the District's water or wastewater facilities, lines and equipment with federal, state or local sludge use or disposal criteria, guidelines or regulations, or that causes them to violate its National Pollutant Discharge Elimination System and/or Texas Commission on Environmental Quality permits or related to water quality standards.
- (12) The substances identified on Exhibit A to this Order.

- c. **Multiple Connections to a Single Tap or Line.** Unless authorized by the District, submetering, multiple connections to a single meter tap, multiple connections to the water supply line to a Utility Customer on the customer side of the District's meter, and any other form of diversion of water from the direct use of a residential or commercial Utility Customer, are prohibited. Every connection for any dwelling, structure, household, business, and/or water-consuming establishment currently receiving or planning to receive water service, either directly or indirectly from the District's water system, shall be subject to individual applications for service under the rules of this Order. Unauthorized submetering, prohibited multiple connections or other

diversions of service are subject to disconnection of service, including the disconnection of service to the affected Utility Customer, under Subsections D.8. and D.13. of this Order.

- d. **Use of Water for Dilution of Prohibited Substances.** The use of water to dilute or attempt to dilute or diminish the effect of a prohibited substance introduced into the District's facilities, lines and equipment is prohibited, except as authorized by District personnel and regulatory authorities acting under applicable law.
- e. **Statutory, Code and Plumbing Standards.** Violations by the Utility Customer of statutory duties, code responsibilities and plumbing standards, as described in Subsection D.21. below, are prohibited.
- f. **Cross-Connection to Privately-Owned Water Wells.** The Utility Customer's cross-connection or tying in of the District's facilities, lines and equipment, or of any water lines and equipment on the customer side of the District's meter, to any privately-owned water well, or any facilities, lines or equipment connected thereto, is prohibited unless authorized in writing by the District, following inspection.

21. *Utility Customer Responsibilities.* In general, the Utility Customer's responsibilities are to comply with applicable federal, state and local law and regulations, this Order, District policies, the Service Agreement and the District's ordinances and to timely pay for all water used and the other fees, charges and costs that apply under this Order. The following specific duties also apply:

- a. **District Access to Property of Utility Customer.** The Utility Customer shall provide legal and physical access, as defined in this Order, to the meter, grease trap, sample well and all other water and wastewater equipment and lines on the customer side of the meter, and to the property at which water or wastewater service is received, at all reasonable times for the purpose of reading, installing, checking, repairing or replacing the meter, and for all other lawful purposes of the District. For the purpose of providing such access, the Utility Customer shall provide a key or other access to locked gates and other barriers to entry.
- b. **Prevention of Prohibited Activities.** Utility Customers shall not permit and shall terminate and/or report to the District any prohibited activity under Subsection D.20. that occurs on the premises of the Utility Customer, and shall take all reasonable actions to assure that water and wastewater usage under the account of the Utility Customer is in compliance with federal, state and local statutes and ordinances, this Order and other policies of the District.

c. **Utility Customers Receiving Wastewater Service** . Utility Customers that receive wastewater service have the following duties and responsibilities, unless waived in writing by the District:

- (1) The prevention of the introduction of any prohibited substance, as defined by Paragraph 20.b. of this Order, into the District's wastewater facilities, lines and equipment.
- (2) For all commercial wastewater Utility Customers, the installation and maintenance of a trap ahead of the entrance to the District's wastewater collection piping, with a double clean out at the property line to provide for the collection of dirt, grit, sand, grease, oil and similar substances. The trap shall be positioned and configured to permit access and inspection by District personnel.
- (3) The pretreatment of wastewater by the reduction of the amount or volume, elimination, or alteration of the nature of any prohibited substances in the Utility Customer's wastewater, to the extent required to eliminate prohibited substances from such wastewater.
- (4) Compliance with any standard for the pretreatment of wastewater prescribed by federal, state and local law and regulations that exceeds or adds to the pretreatment of wastewater defined and required by this Order.
- (5) For all commercial wastewater customers, the installation of a sample well ahead of the entrance to the District's wastewater piping, to provide for the District's inspection and sampling of the wastewater introduced by the Utility Customer into the District's facilities, lines and equipment. The sample well shall be positioned and configured to prevent ground and surface water infiltration, and to permit access thereto by the District to safely and expeditiously permit such inspection and sampling.

d. **Compliance With Requirements for Non-Standard Service.** All Applicants for Non-Standard Service for which such service is provided by the District shall comply with all continuing requirements on which such service is conditioned, including but not limited to those provided by this Order, including but not limited to Section E. hereof, the Non-Standard Service Agreement or other applicable law.

e. **Additional Duties of All Utility Customers.** The Utility Customer has the following additional responsibilities:

- (1) Compliance with all federal, state and local codes and regulations concerning on-site service and plumbing facilities.
- (2) The design and operation of all customer connections and equipment to ensure against back-flow into or siphonage from the District's water supply.
- (3) The assurance that pipe and pipe fittings that contain more than 8.0% lead or solder and flux that contain more than 0.2% lead is prohibited for any customer authorized plumbing installation or repair of a residential or non-residential facility that provides water for human consumption and is connected to the District's facilities.
- (4) The assurance that all pipe and fittings used by the customer to convey sewage from its source to the sewer line are of D-3034, SDR-35 or equivalent, 4" inch diameter pipe, that all joints are water tight and all pipe is installed to recommended grade.
- (5) The assurance that the fittings of all wastewater and potable water service pipeline installations shall be a minimum of nine feet apart and comply with all applicable plumbing standards.
- (6) The assurance that no prohibited cross-connections or tie-ins to privately-owned water wells, or lines and facilities connected thereto, as further provided in Paragraph 20.f., are occurring on the premises of the Utility Customer or in conjunction with the District's Service to the Utility Customer.

Service shall be discontinued without notice under Subsections D.8 and D.13. if the installation of new facilities, or repair of existing facilities or any inspection by the District discloses violations of Paragraphs 21.e.(1) through (6), and shall not be restored until such violations are corrected. Service may be disconnected with or without notice, as otherwise provided by Subsections D.8. and D.13., for other violations of this Subsection D.21.

22. *Testing of Wastewater and Additional Remedies, Including Rates Assessable on the Basis of Wastewater Content.*

a. **Wastewater Testing.** At all reasonable times, authorized representatives of the District may enter the lands or premises of any wastewater Utility Customer for the purpose of conducting wastewater testing and inspections to determine compliance by the Utility Customer with the provisions of this Order that apply to the content of wastewater, prohibited substances and pretreatment of wastewater. The District's testing shall be conducted at the Utility Customer's sample well described in Subparagraph D.21.c.(5), or elsewhere as the District shall require to obtain effective testing. All such testing shall be conducted in accordance with generally accepted methods for wastewater testing that determine compliance with the requirements of this Order.

b. **Additional Remedies, Including Rates Assessable Based on Wastewater Content.** Upon an inspection and/or testing by the District under Paragraph D.22.a. above, if the District determines that the wastewater discharge into the District's wastewater facilities, lines and equipment (i) contains a prohibited substance, (ii) requires pretreatment as defined by this Order, (iii) violates any compliance standard provided by the District's requirements to obtain Non-Standard Service, as further set forth in Paragraph 21. d. of this Order, (iv) violates any other applicable provision of this Order, or (v) otherwise adversely affects the District's wastewater facilities, lines and equipment, or its receiving waters, creates a hazard to life or health, or creates a public nuisance, the District may take one or more of the following actions:

- (i) Terminate wastewater service to the wastewater Utility Customer, as otherwise provided by this Order;
- (ii) Require additional pretreatment of wastewater to achieve the wastewater effluent standards required by this Order;
- (iii) Assess an additional rate for wastewater on the Utility Customer that applies the Wastewater Charge Factor to the Utility Customer's combined base and volume wastewater usage rates, from and after the date determined by the District to be the beginning date of the wastewater discharge that violates Paragraph D.22.b. above, through and including the date that such violation or condition is corrected, as determined by the District; and
- (iv) Invoke the applicable provisions of the District's Ordinances.

- c. **Inspection and Testing Fees.** The District may assess inspection and testing charges to the Utility Customer for the testing and inspections provided by Paragraphs 22. a. and 22. b. above, based on the District's costs therefor, as further provided by Subsections C. 10. and C. 18. of this Order.

23. *Meter Relocation.* Relocation of meters and taps shall be allowed by the District if:

- a. No transfer of utility service is involved;
- b. An easement for the proposed location has been granted to the District;
- c. The property of the new location requested is owned by the current customer of the meter to be moved;
- d. The existing tap location is on property contiguous to the proposed tap location;
- e. The Utility Customer pays the actual cost of relocation, plus administrative fees; and
- f. Service capacity is available at the proposed location.

24. *Multiple Accounts.* A Utility Customer that receives service at more than one location shall be subject to the provisions of this Order with regard to each and all of the accounts that are owned. The District's remedies for the failure to maintain current payment status on all accounts shall be enforceable separately with regard to each Service Application and Agreement executed by the Utility Customer.

25. *Responsibility for Equipment.* The District's ownership and maintenance responsibility of water supply and metering equipment ends at the Utility Customer's meter. Therefore, all water usage registering on the metering equipment owned and maintained by the District, together with the cost to correct any damage thereto, shall be subject to the determination of its cause and the imposition of charges to the Utility Customer as determined by the District in accordance with this Order.

26. *Customer Cut-Off Valves.* The District may require each Utility Customer to provide a cut-off valve on the customer side of the meter for purposes of isolating the Utility Customer's service pipeline and plumbing facilities pursuant to this Order or other District policies, including but not limited to its Water Conservation Plan. The Utility Customer's use of the District's curb stop or similar valve, for any purpose, is prohibited.

27. ***Inspections.*** In addition to the inspections provided by Subparagraph 3.b.(4), Subsection 18. and Paragraphs 19.a., 22.c. and 22.f., the District at all reasonable times may inspect (a) its facilities, lines and equipment located on the property of any Utility Customer, and (b) all facilities, lines and equipment on the customer side of the District's meter, or otherwise owned or operated by an Utility Customer, that are connected to the District's facilities, lines or equipment, for any lawful purpose of the District as provided by this Order, any applicable Non-Standard Service Agreement or applicable federal, state or local law.

SECTION E. SUPPLEMENTAL REQUIREMENTS FOR NON-STANDARD SERVICE

1. ***Purpose and Application.*** This section applies to all instances of proposed Non-Standard Service as defined in Subsection D.2., including agreements and service procedures for entire subdivisions, additions to subdivisions, developments where service to more than one tract is necessary and instances in which additional piping, service or other facilities are required to accommodate individual, multiple, commercial or industrial Applicants. Its requirements may be altered or suspended when applied to planned facility expansions for which the District extends its indebtedness. The Board of Directors of the District, for good cause, may modify the following requirements on an individual basis, however, an Applicant's request for Non-Standard Service is otherwise subject to all of the conditions of this section, as well as the other provisions of this Order that apply generally to both Standard Service and Non-Standard Service.
2. ***Non-Standard Service Applications.*** In addition to the requirements for all service applications, Applicants for Non-Standard Service shall provide the following, unless such requirement is waived or modified by the District:
 - a. The Applicant's proposed service requirements, including the proposed plans, specifications, locations, usage volumes and all related data that describes the proposed Non-Standard Service;
 - b. A final plat, showing the Applicant's requested service area, approved by all regulatory authorities having jurisdiction over lot sizes, sewage control, drainage, right-of-way and other service facilities and requirements. Supplemental plans, specifications and special requirements of such regulatory authorities shall be submitted with the plat; and

- c. The Non-Standard Service investigation fee described in Paragraph C.1.b., which reimburses the District for the administrative, legal, and engineering fees to be paid by the District as a result of its investigation of the proposed service, and the other costs set forth in Paragraph C.1.b.

- 3. **Action and Application.** Following its receipt of the Non-Standard Service Application, the District shall initially determine whether the service proposed by the Applicant, if provided, is to be located within the District's boundaries and, in addition, within the area prescribed by its Certificate of Public Convenience and Necessity. If the proposed service will occur within such area, the District will proceed with its service investigation as provided by Paragraph C.1.b. of this Order. If the proposed service is to be located outside such areas, the District shall initially determine whether the proposed service is appropriate for the District and the application of any additional legal requirements. Based on such determination, the District will elect to proceed upon or terminate the service investigation, with notice thereof to the Applicant.

If the District terminates the service investigation, it shall refund the unused balance, if any, of the Non-Standard Service Investigation Fee.

If the service investigation proceeds as set forth above, the District shall complete it as soon as reasonably possible and thereafter notify the Applicant whether it can provide service requested by the Applicant, of the terms on which it will provide the proposed or any alternative utility service, including the applicable terms of this Order, any alternative options, the additional facilities, if any, required to provide such service, the property acquisitions, if any, required to provide such service, the modifications to the Applicant's proposal, if any, and any regulatory restrictions, required by either the District or regulatory authorities, other requirements, if any, and an estimate of the costs payable by the Applicant to build and install facilities and otherwise effect service on the terms approved by the District.

- 4. **Proposed Service for Areas Not Subject to the District's Certificate.** If the District determines that the Applicant's service request is for property outside the District's boundaries or the service areas described in the District's Certificate of Public Convenience and Necessity, service may be extended as provided by Sections 13.242, 13.243, 13.2502 and 49.215, Texas Water Code, and other applicable law.
- 5. **Design of Facilities.** The District shall ascertain the design requirements of the facilities required by the level of service proposed by the Applicant and approved by the District as a result of the service investigation. Such requirements shall be a part of the notification to the Applicant when the investigation is completed. The following procedures and requirements shall also apply:

- a. The District's consulting engineer shall review the proposed design, or shall design, all service facilities for the Applicant's requested service within the District's specifications;
- b. The consulting engineer shall then forward to or prepare for the District, as required, a set of detailed plans, specifications and cost estimates for the project, including any additional requirements or design criteria imposed by federal, state or local authorities; and
- c. The District may elect to upgrade the design of the proposed service facilities to meet future demands, provided, that the District shall pay the expense of any such upgrade to which the Applicant does not agree.

6. *Non-Standard Service Contract.* Applicants for Non-Standard Service shall enter into a written contract that defines the terms of such service. The Contract shall be executed by the Applicant and the District prior to beginning of construction of required service facilities and may include but is not limited to the following:

- a. Definition of all costs associated with required administration, design, construction, and inspection of facilities for the service approved for the Applicant, and the terms of their payment;
- b. Procedures by which the Applicant shall accept or deny a contractor's bid, and if denied, whether the Applicant shall continue or discontinue the project;
- c. Identification of any front-end capital contributions required by the District or Applicant;
- d. Any monthly Reserved Service Charges applicable to the service request;
- e. The terms by which service, including reserved service, shall be provided to the Applicant, including the application of all applicable terms of this Order to the Applicant, property developers, commercial builders and other entities, their respective successors and purchasers of property or services therefrom, including Applicants for water or wastewater service from the District, and all Utility Customers that receive such service, the duration of any reserved service and its impact on the District's capability to meet its other service requirements;

- f. The terms by which the District shall administer the construction project, including but not limited to the following:
 - (1) Design of the Applicant's service facilities;
 - (2) Securing and qualifying bids;
 - (3) Execution of the service agreement;
 - (4) Selection of a qualified bidder for construction;
 - (5) Dispensing advanced funds for construction of facilities required for the Applicant's service;
 - (6) Inspecting the construction of facilities; and
 - (7) Testing the facilities and concluding the project.
- g. The Applicant's indemnification of the District from third party claims and damages;
- h. The terms by which the Applicant shall convey all District construction facilities to the District and by which the District shall assume operation and maintenance responsibility, including the transfer and enforcement of warranties;
- i. The terms by which the Applicant shall grant title, easements or otherwise provide for sanitary control of and for rights-of-way to facilities built and facility sites; and
- j. The terms by which the Board of Directors shall review and approve the service contract under current federal, state and local law and regulations and the District's bylaws.

7. *Property and Right-of-Way Acquisition.* The District shall require the acquisition of private right-of-way easements or the conveyance of title to property for access purposes on the following conditions:

- a. If the District determines that right-of-way easements or facility sites outside the Applicant's property are required, the Applicant shall secure the conveyances of easements or fee title, as appropriate, to facility sites on behalf of the District or to itself for its own conveyance to the District. All such right-of-way easements and property conveyances shall be satisfactory in form and substance to the District and researched, prepared and filed at the expense of the Applicant;
- b. All facilities required to be installed in public right-of-ways as the result of the inability to secure additional private property or access easements shall be subject to the Applicant's payment of the actual cost of facility installation in the public right-of-way, plus the estimated cost of future relocation to a site accessible through private rights-of-way or, alternatively, to the total cost of acquisition for obtaining a suitable private site, with access thereto, under eminent domain proceedings; and
- c. The District shall require an exclusive dedicated right-of-way on the Applicant's property, in a size and configuration determined by the District, and of legal title to property required for other on-site facilities.

8. *Sanitary Control Easements.* The District shall require the acquisition of sanitary control easements as provided by 30 Texas Administrative Code, Section 290.41. The Applicant shall secure the conveyance to the District of such easements or sufficient fee title as may be required to effect compliance with such regulation for all facility sites that become a part of the agreement for new utility service.

9. *Bids for Approved Construction.* As required by applicable law, or otherwise at the District's discretion, the District shall advertise or cause the Applicant to advertise the approved construction for the Applicant's proposed facilities and other system improvements for competitive bidding as required by applicable law in accordance with procedures developed for each project. In such event, the right to reject any and all bids or contractors, as provided by law, shall be reserved. Without limitation, any advertised bidding procedures shall contain and require the following:

- a. The Applicant's execution of the Non-Standard Service Contract described in Subsection E.6.;
- b. The Applicant's payment, prior to construction, of all required advance payments for construction and other project costs;
- c. The posting by the Contractor of a bid bond on terms and in an amount acceptable to the District;

- d. The posting by the Contractor of a performance and payment bond for the project on terms acceptable and in an amount acceptable to the District;
- e. Favorable review of references provided by the Contractor;
- f. The Contractor's qualifications with the District as competent to complete the work; and
- g. Provision by the Contractor of adequate certificates of insurance satisfactory to the District.

10. *Additional Construction Matters.*

- a. Unless otherwise provided in the Non-Standard Service Agreement and the construction contract, all road work pursuant to applicable county and municipal standards shall be completed prior to the construction of other required facilities;
- b. At the Applicant's expense, the District shall monitor and inspect facilities under construction, and at the conclusion of construction, to ensure that the District's design and construction standards are achieved; and
- c. Construction plans and specifications shall be strictly adhered to, however, the District may effect changes and issue change orders on any project specifications, as the result of circumstances not foreseen during the design phase, to facilitate the operation of the proposed by the Applicant. All such change orders shall be charged to the account of the Applicant.

SECTION F. ORDINANCE AUTHORITY

- 1. ***Establishment of Ordinances.*** Pursuant to applicable statutes, the District has enacted and is authorized to enact, at future times, ordinances. The District's ordinance authority is exercised for the purpose of securing compliance with this Order, additional rules and policies of the District, as well as certain statutes and regulations of the United States, the State of Texas, their agencies and local authorities that apply to the District's operations.
- 2. ***Authority.*** The District's ordinance making authority is established by Sections 65.205 through 65.208, Texas Water Code.
- 3. ***Effective Dates.*** The District's ordinances are effective from and after their adoption by the District's board of directors and their publication as provided by Section 65.208, Texas Water Code.

4. ***Exercise of Ordinance Authority.*** On the date hereof, the District has enacted ordinances with regard to the following:
- a. Water conservation;
 - b. Tampering with and the misuse or destruction of District property, including but not limited to meter tampering, bypassing and other tampering with the District's facilities, lines and equipment, disability or damaging District equipment or the introduction of prohibited substances into the District's facilities, lines and equipment;
 - c. Water quality;
 - d. Diversion of water by unauthorized tapping, prohibited multiple connections or other means;
 - e. Hazardous conditions on customer property;
 - f. Blocking or impeding access to the District's property or facilities;
 - g. Prohibited uses of private water wells;
 - h. Introduction of prohibited substances into the District's facilities, lines and equipment; and
 - i. Certain activities that constitute Class C misdemeanors under state or local law, if committed on the District's property.
5. ***Enforcement.*** The District's ordinance authority shall be enforceable as provided by Chapter 54, Texas Local Government Code, other applicable law and as set forth in the ordinances enacted.
6. ***Penalties and Other Relief.*** The District's ordinances shall provide for penalties for their violations and additional remedies, as appropriate. Each ordinance shall provide for the applicable penalties, which may include fines, civil penalties, injunctive relief and other remedies as provided by Chapter 54, Texas Local Government Code.
7. ***Ordinance Book.*** The District's ordinances shall be maintained in an Ordinance Book that sets forth the ordinances enacted, applicable penalties and the enactment and publication dates for each ordinance.

8. ***Relation to Other Law.*** The District's ordinance authority and all ordinances enacted by the District are in addition to its rights, authority and remedies under other applicable law.

Attachment C

HMM

5 - Year Projection Financials					
2014	2015	2016	2016	2017	
Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL 5 YRS

PROFIT & LOSS

PROFIT & LOSS					
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Beginning Cash	-	48,690	45,441	44,579	46,105	46,105
Sewer Revenue	136,590	132,710	133,649	134,588	135,528	673,065
Total Revenue	136,590	132,710	133,649	134,588	135,528	673,065

COGS - Contract Operations	52,273	52,458	52,829	53,201	53,572	264,333
COGS - Other	18,798	18,865	18,999	19,132	19,266	95,060
Other Operating / OH Expenses	6,830	6,635	6,682	6,729	6,776	33,653
Interest Expense	10,000	8,000	6,000	4,000	2,000	30,000
Total Expenses	87,900	85,959	84,511	83,062	81,614	423,046

Ending Cash	48,690	45,441	44,579	46,105	50,018	50,018
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Sewer connections	145	146	147	148	149	149
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Depreciation	3,333	3,333	3,333	3,333	3,333	16,667
Net Income	45,356	43,418	45,805	48,193	50,580	233,352
NI %	33.2%	32.7%	34.3%	35.8%	37.3%	34.7%

Other Cash Flow (No P&L)	-	(50,000)	(50,000)	(50,000)	(50,000)	(200,000)
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BALANCE SHEET

BALANCE SHEET					
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ASSETS

Cash	48,690	45,441	44,579	46,105	50,018	50,018
Land, Plant & Equipment	200,000	200,000	200,000	200,000	200,000	200,000
Acc Depreciation	(3,333)	(6,667)	(10,000)	(13,333)	(16,667)	(16,667)
Total Assets	245,356	238,774	234,579	232,772	233,352	233,352

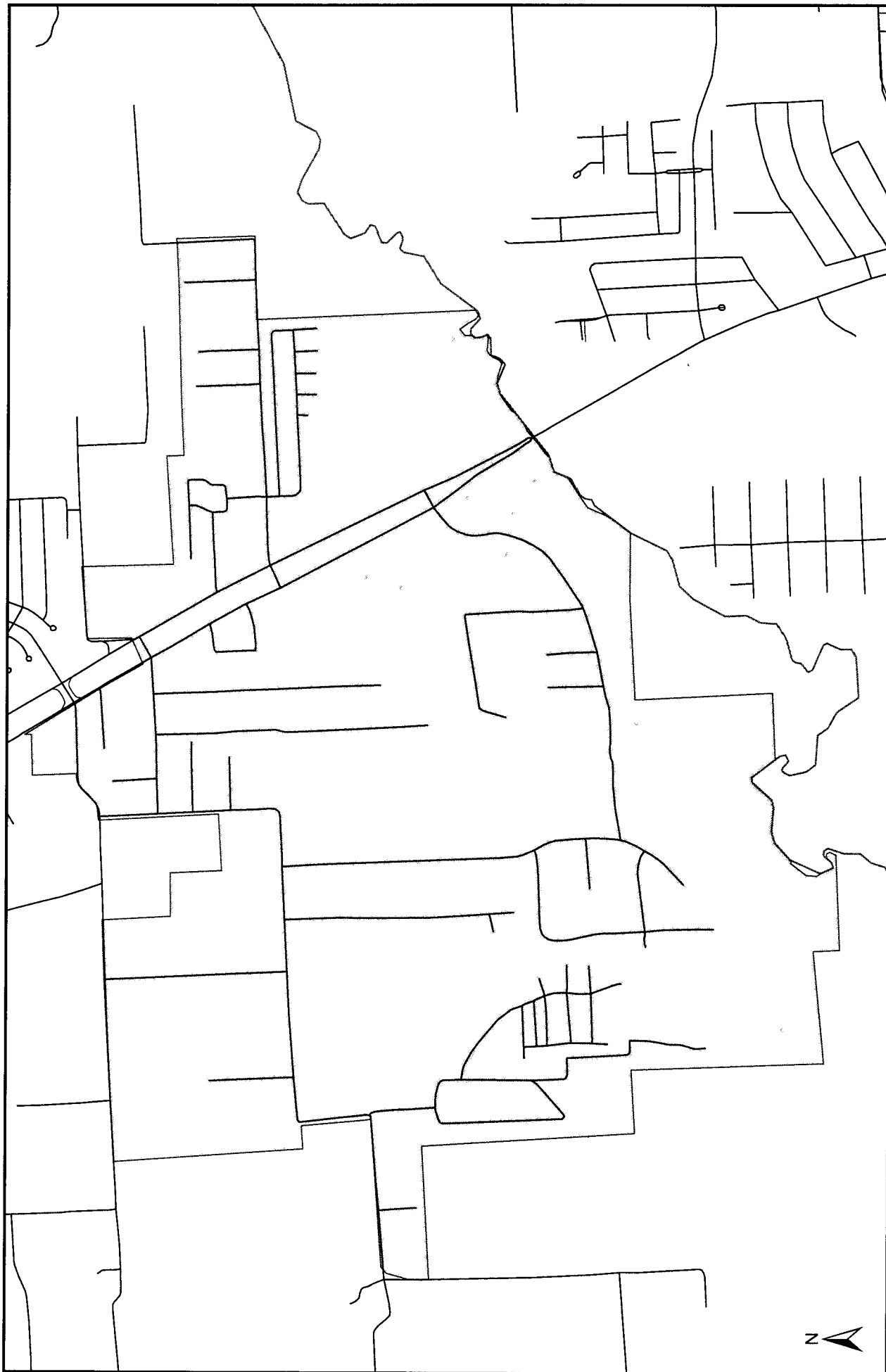
LIABILITIES

Notes Payable	200,000	150,000	100,000	50,000	-	-
Total Liabilities	200,000	150,000	100,000	50,000	-	-

OWNER'S EQUITY

Paid in Capital	-	-	-	-	-	-
Retained Earnings	45,356	88,774	134,579	182,772	233,352	233,352
Total Owner's Equity	45,356	88,774	134,579	182,772	233,352	233,352
Total Liabilities & Owner's Equity	245,356	238,774	234,579	232,772	233,352	233,352

Attachment D



H-M-W SUD Proposed Sewer CCN
Application No. 37419-C

Map by Suzanne Jaster
Date Created April 12, 2013
Project Path c:/gis/projects/applications/37419-c.mxd



Attachment E

Bryan W. Shaw, Ph.D., *Chairman*
Carlos Rubinstein, *Commissioner*
Toby Baker, *Commissioner*
Zak Covar, *Executive Director*

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

September 11, 2012

William Coe, General Manager
H-M-W Special Utility District
P.O. Box 837
Pinehurst, Texas 77362-0387

Re: Compliance Evaluation Investigation at:
Victoria Station Wastewater Treatment Plant, (Harris County), Texas
TCEQ ID No.: 14266-001, EPA ID: TX0094315

Dear Mr. Coe:

On July 17, 2012, Mr. Rick Felan of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for wastewater treatment. No violations are being alleged as a result of the investigation; however, please see the Areas of Concern.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Rick Felan in the Houston Region Office at (713) 767-3612.

Sincerely,



Elizabeth Sears
Team Leader
Water Quality Section
Region 12 Houston

EWS/RAF/cs

Enclosure: Summary of Investigation Findings

cc: Darren Shaw, Operations Supervisor, Aucoin and Associates, Inc., 8675 Spring Cypress Road, Suite L-173, Spring, Texas 77379-3194

Summary of Investigation Findings

VICTORIA STATION WWTP

Investigation #

1028035

Investigation Date: 07/17/2012

, MONTGOMERY COUNTY,

Additional ID(s): WQ0014266001

TX0094315

AREA OF CONCERN

Track No: 477474

30 TAC Chapter 319.5(e)

Alleged Violation:

Investigation: 1028035

Comment Date: 09/05/2012

Failed to accurately complete the discharge monitoring reports (DMRs). Specifically, the Total Suspended Solids was analyzed 7 times during the month of 01/2012. The frequency of analysis was reported as once per week on the DMRs. Increased frequency of analysis shall be indicated on the DMRs.

Recommended Corrective Action: Correct and resubmit the DMR for 01/2012 to the Houston Region Office and the Enforcement Division (MC 224).

Resolution: A copy of the corrected DMR for 01/2012 was received by the Houston Region Office on 07/23/2012 including documentation indicating that the revised copy was sent to the Enforcement Division (MC 224).

Attachment F

NAME	SERVICE/ MAILING ADDRESS
CAMACHO, FORTINO L.	25530 CANDY 25530 CANDY MAGNOLIA, TX 77355
GUILD, WILLIAM	25539 CANDY 25539 CANDY MAGNOLIA, TX 77355
PHILLIPS, STACEY	25606 BURLINGTON 25606 BURLINGTON MAGNOLIA, TX 77355
FITTS, TRESSA	25607 BURLINGTON 25607 BURLINGTON MAGNOLIA, TX 77355
BRIGGS, MARSHALL	25609 BURLINGTON 25609 BURLINGTON MAGNOLIA, TX 77355
WILLIAMS, CAROL H	25611 BURLINGTON 25611 BURLINGTON MAGNOLIA, TX 77355
MASTRANGELO, DONAJEAN	25615 BURLINGTON 25615 BURLINGTON MAGNOLIA, TX 77355
RICHARDSON, NANCY	25618 BURLINGTON 25618 BURLINGTON MAGNOLIA, TX 77355
BENTHALL, JULIE & CHRIS	25619 BURLINGTON 25619 BURLINGTON MAGNOLIA, TX 77355
TOUCHSTONE, JESSICA	25621 BURLINGTON 25621 BURLINGTON MAGNOLIA, TX 77355
POOL, DEBORAH L.	25623 BURLINGTON PO BOX 414 PINEHURST, TX 77362
VANLUE, STEPHANIE	25640 CANDY 25640 CANDY MAGNOLIA, TX 77355
CARTER, KEVIN & TAMMY	25650 CANDY 25650 CANDY MAGNOLIA, TX 77355
RODRIGUEZ, JENIFFER	25818 W MEMORY LN 25818 W MEMORY LN MAGNOLIA, TX 77355
REX, PATRICK	26603 MISSOURI PACIFIC 26603 MISSOURI PACIFIC MAGNOLIA, TX 77355
LIVING STONES	26605 PEDEN RD 26605 PEDEN RD MAGNOLIA, TX 77355
COYNE, DIANNE H	26606 MISSOURI PACIFIC 26606 MISSOURI PACIFIC MAGNOLIA, TX 77355
MUTH, SHERRI	26606 RHODE ISLAND PO BOX 928 PINEHURST, TX 77362
SMITH, VINCENT & JULIE	26607 MISSOURI PACIFIC 26607 MISSOURI PACIFIC #51 MAGNOLIA, TX 77355
THOMPSON, JON	26607 RHODE ISLAND 26607 RHODE ISLAND #30 MAGNOLIA, TX 77355
AMADOR, PHYLICIA	26607 SANTE FE DR 26607 SANTE FE DR MAGNOLIA, TX 77355
SPARKS, KIMBERLY	26609 RHODE ISLAND 26609 RHODE ISLAND MAGNOLIA, TX 77355
TRIMM, LARRY	26610 MISSOURI PACIFIC P O BOX 1153 TOMBALL, TX 77377

LEROUX, MATTHEW	26610 RHODE ISLAND
SILVEY, JAMES	26610 RHODE ISLAND LOT#41 MAGNOLIA, TX 77355
GILDERSLEEVE, LORINDA	26614 MISSOURI PACIFIC
FROST, SARAH	26614 MISSOURI PACIFIC MAGNOLIA, TX 77355
ROSE GARCIA, ANITA GREGORY	26614 RHODE ISLAND
ANDERSON, JAMIE	26614 RHODE ISLAND MAGNOLIA, TX 77355
SMOTHERS, THERESA&WILLIAM	26615 MISSOURI PACIFIC
TOMPKINS, GREG	26615 MISSOURI PACIFIC MAGNOLIA, TX 77355
WHITE, PENNY	26615 RHODE ISLAND
GANDY, LISA	26615 RHODE ISLAND #32 MAGNOLIA, TX 77355
CLARKE, JANILA	26618 RHODE ISLAND
COULTER, MICHAEL	26618 RHODE ISLAND MAGNOLIA, TX 77355
JARVIS, MIJA	26619 SANTA FE DR
HUGGINS, MARYANN	26619 SANTA FE DR MAGNOLIA, TX 77355
TODD MACKEY, SABRIN BRADSHAW	26620 MISSOURI PACIFIC
BLESSING, TAMARA	26620 MISSOURI PACIFIC #71 MAGNOLIA, TX 77355
DOZIER, LOUIS A.	26623 RHODE ISLAND
BOLLINGER, KRISTINA	26623 RHODE ISLAND LOT# 34 MAGNOLIA, TX 77355
WILKERSON, KIMBERLY J	26623 SANTA FE DR
CHAPMAN, JENNIFER	26623 SANTA FE DR MAGNOLIA, TX 77355
JOHNSON, JERRY R	26624 MISSOURI PACIFIC
BROWN, MELANIE	26624 MISSOURI PACIFIC MAGNOLIA, TX 77355
NELSON, TERRI	26625 MISSOURI PACIFIC
ROMANO, RACHEL	26625 MISSOURI PACIFIC MAGNOLIA, TX 77355
	26626 RHODE ISLAND
	26626 RHODE ISLAND #45 MAGNOLIA, TX 77355
	26629 SANTA FE DR
	26629 SANTA FE DR LOT#7-A MAGNOLIA, TX 77355
	26630 RHODE ISLAND
	26630 RHODE ISLAND LOT#46 MAGNOLIA, TX 77355
	26630 SANTA FE DR
	26630 SANTA FE DR MAGNOLIA, TX 77355
	26631 MISSOURI PACIFIC
	26631 MISSOURI PACIFIC # 57 MAGNOLIA, TX 77355
	26631 RHODE ISLAND
	26631 RHODE ISLAND LOT# 36 MAGNOLIA, TX 77355
	26634 RHODE ISLAND
	26634 RHODE ISLAND #47 MAGNOLIA, TX 77355
	26634 SANTA FE DR
	26634 SANTA FE DR MAGNOLIA, TX 77355
	26635 MISSOURI PACIFIC
	26635 MISSOURI PACIFIC MAGNOLIA, TX 77355
	26635 SANTA FE DR
	26635 SANTA FE DR MAGNOLIA, TX 77355
	26638 SANTA FE DR
	26638 SANTA FE DR MAGNOLIA, TX 77355
	26639 RHODE ISLAND

RICHARDSON, JACK	26639 RHODE ISLAND MAGNOLIA, TX 77355
	26639 SANTA FE DR
SAPP, TRAVIS	26639 SANTA FE DR MAGNOLIA, TX 773550
	26642 SANTA FE DR
KLOVENSKI, AMANDA	26642 SANTA FE DR MAGNOLIA, TX 77355
	26646 MISSOURI PACIFIC
STEHLIK, JAMES E	26646 MISSOURI PACIFIC MAGNOLIA, TX 77355
	26646 SANTA FE DR
JOSH JOLLY, ROCHELLE LARIDO	26646 SANTA FE DR MAGNOLIA, TX 77355
	26647 SANTA FE DR
WP ENGINEERING CONSULTANTS,I	26647 SANTA FE DR MAGNOLIA, TX 77355
	26715 DECKER PRAIRIE ROSE
HOULE, TAYLOR & MARTIN	26715 DECKER PRAIRIE ROSEHILL MAGNOLIA, TX 77355
	27202 DECKER PRAIRIE ROSE
FONTENOT, TERRY G	27202 DECKER PRAIRIE ROSE MAGNOLIA, TX 77355
	27206 DECKER PRAIRIE ROSE
PROCHASKA, DONNA	12926 CLUSTER PINE DR CYPRESS, TX 77429
	27210 DECKER PRAIRIE ROSE
BALLARD, JENNIFER	27210 DECKER PRAIRIE ROSE MAGNOLIA, TX 77355
	27214 DECKER PRAIRIE ROSE
HERRERA, RAY	27214 DECKER PRAIRIE ROSE MAGNOLIA, TX 77355
	27218 DECKER PRAIRIE ROSE
GUYER, LONNA & EDWARD	27218 DECKER PRAIRIE ROSE MAGNOLIA, TX 77355
	27426 DECKER PRAIRIE ROSE
TOMBALL IND SCHOOL DST	PO. BOX 447 TOMBALL, TX 77377
	27427 DECKER PRAIRIE ROSE
SADLER, GERALD & ANNE	ACCOUNTS PAYABLE 310 SOUTH CHERRY ST TOMBALL, TX 77375
	27526 DECKER PRAIRIE ROSE
MAGNOLIA VOL FIRE	27526 DECKER PRAIRIE ROSE MAGNOLIA, TX 77355
	27610 DECKER PRAIRIE RD
LOPER, ARCHIE & BERNICE	PO BOX 1210 MAGNOLIA, TX 77353
	27614 CHRISTIANA CIRCLE
CHAPMAN, DENNIS	27614 CHRISTIANA CIRCLE MAGNOLIA, TX 77355
	27614 DECKER PRAIRIE ROSE
CHAFIN, JACQUELINE . W	27614 DECKER PRAIRIE ROSEHILL MAGNOLIA, TX 77355
	27615 SHANNON
HERNANDEZ, PAULINA M.	27615 SHANNON CIRCLE MAGNOLIA, TX 77355
	27618 CHRISTIANA CIRCLE
MCCONNELL, JAMES	27618 CHRISTIANA CIRCLE MAGNOLIA, TX 77355
	27618 DECKER PRAIRIE ROSE
ROSEHILL UNITED METHODIST	27618 DECKER PRAIRIE ROSE MAGNOLIA, TX 77355
	27619 SHANNON
NEW HOPE BAPTIST CH	27619 SHANNON MAGNOLIA, TX 77355
	27620 DECKER PRAIRIE RD
ALLSTAR RECYCLING	PO BOX 607 PINEHURST, TX 77362
	27621 DECKER PRAIRIE RD A
	PO BOX 1320 PINEHURST, TX 77362

TUTTLE, TAMMY & DOUG	27622 SHANNON
	27622 SHANNON CIRCLE MAGNOLIA, TX 77355
PEMBERTON, RUSSELL R.	27623 SHANNON
	27623 SHANNON MAGNOLIA, TX 77355
YOUNG, ROY	27626 CHRISTIANA CIRCLE
	27626 CHRISTIANA CIRCLE MAGNOLIA, TX 77355
HERNANDEZ, DAVID	27626 SHANNON
	27626 SHANNON MAGNOLIA, TX 77355
WUENSCHKE, KIM & DAVID	27627 SHANNON
	27627 SHANNON MAGNOLIA, TX 77355
COEBLER, BETTY	27630 CHRISTIANA CIRCLE
	27630 CHRISTIANA CIRCLE MAGNOLIA, TX 77355
MCQUARY, AUSTIN	27630 SHANNON
	27630 SHANNON MAGNOLIA, TX 77355
HAMMOND DDS., LYNN K.	27631 DECKER PRAIRIE RD
	27631 DECKER PRAIRIE RD PINEHURST, TX 77362
BRZYMIALKIEWICZ, KRISTEN	27631 SHANNON
	27631 SHANNON CIRCLE MAGNOLIA, TX 77355
PORTER, NANCY	27635 SHANNON
	27635 SHANNON CR MAGNOLIA, TX 77355
CLUNN, GORDON	27809 DECKER PRAIRIE ROSE
	P O BOX 655 CYPRESS, TX 77410
BYRD, DANIEL	31407 JOHLKE LN
	31407 JOHLKE LN MAGNOLIA, TX 77355
SMITH, PAUL	31411 JOHLKE LN
	31411 JOHLKE LN MAGNOLIA, TX 77355
MURRAY, KENNETH	31415 JOHLKE LN
	31415 JOHLKE LN MAGNOLIA, TX 77355
VEGA, ERIC	31419 JOHLKE LN
	31419 JOHLKE LN MAGNOLIA, TX 77355
WEST, JOSEPH	31423 JOHLKE LN
	31423 JOHLKE LN MAGNOLIA, TX 77355
ROBBINS, WILLIAM	31427 JOHLKE LN
	31427 JOHLKE LN MAGNOLIA, TX 77355
TOSCANO, JOSE J.	31431 JOHLKE LN
	31431 JOHLKE LN MAGNOLIA, TX 77355
BRANDYBERG, ULA	31435 JOHLKE LN
	31435 JOHLKE LN MAGNOLIA, TX 77355
SANDOVAL, MIKE & NICOLE	31507 JOHLKE LN
	31507 JOHLKE LN MAGNOLIA, TX 77355
DOE, JO-ANN	31511 JOHLKE LN
	31511 JOHLKE LN MAGNOLIA, TX 77355
SANDOVAL, CECELIA	31515 JOHLKE LN
	31515 JOHLKE LN MAGNOLIA, TX 77355
HELTON, MICHAEL	31519 JOHLKE LN
	31519 JOHLKE LN MAGNOLIA, TX 77355
DOWEIDT, DENNIS	31523 JOHLKE LN

BLOMBERG, DANIEL	31523 JOHLKE LN MAGNOLIA, TX 77355
	31527 JOHLKE LN
SILVA, STEVE	31527 JOHLKE LN MAGNOLIA, TX 77355
	31531 JOHLKE LN
JAY, ROGER L.	31531 JOHLKE LN MAGNOLIA, TX 77355
	31535 JOHLKE LN
JENNEY, RUSSELL & CHERYL	31535 JOHLKE LN MAGNOLIA, TX 77355
	31607 JOHLKE LN
THURMOND, MICHAEL	31607 JOHLKE LN MAGNOLIA, TX 77355
	31611 JOHLKE LN
BERGER, JENNIFER	31611 JOHLKE LN MAGNOLIA, TX 77355
	31615 JOHLKE LN
HAMMONDS, JULIE	31615 JOHLKE LN MAGNOLIA, TX 77355
	31619 JOHLKE LN
ANNIS, JASON & DEANNE	31619 JOHLKE RD, MAGNOLIA, TX 77355
	31623 JOHLKE LN
WIESE, CHRISTIE	31623 JOHLKE LN MAGNOLIA, TX 77355
	31627 JOHLKE LN
GATES, LACEY & COLIN	31627 JOHLKE LN MAGNOLIA, TX 77355
	31631 JOHLKE LN
OCHOA, JAMES	31631 JOHLKE LN MAGNOLIA, TX 77355
	31703 JOHLKE LN
WILLIAMS, HENRY C.	31703 JOHLKE LN MAGNOLIA, TX 77355
	31711 JOHLKE LN
TG INDUSTRIES	31711 JOHLKE LN MAGNOLIA, TX 77355
	31714 INDUSTRIAL PARK DR
FORD, JARRALL & PATRI	31714 INDUSTRIAL PARK DR PINEHURST, TX 77362
	31715 JOHLKE LN
CONES III, JAMES E.	31715 JOHLKE LN MAGNOLIA, TX 77355
	31719 JOHLKE LN
BOURELLE, JEREMIAH	31719 JOHLKE LN MAGNOLIA, TX 77355
	31723 JOHLKE LN
SMITH, BERNARD	31723 JOHLKE LN MAGNOLIA, TX 77355
	31727 JOHLKE LN
BIBB, WILLIAM	31727 JOHLKE LN MAGNOLIA, TX 77355
	31731 JOHLKE LN
CHRIST FELLOWSHIP CHURCH	31731 JOHLKE LN MAGNOLIA, TX 77355
	31731 SH 249
INTEGRATED ELASTOMERS	31731 SH 249 PINEHURST, TX 77362
	31811 INDUSTRIAL PARK DR
R T PRODUCTS INC.	5701 BRITTMOORE RD HOUSTON, TX 77041
	31819 INDUSTRIAL PARK DR D
BUFFALO MAG DESIGN	31819 #D INDUSTRIAL PARK DR PINEHURST, TX 77362
	31827 DECKER INDUSTRIAL
DOVER EQUIPMENT INC	PO BOX 458 TOMBALL, TX 77377
	31902 DECKER INDUSTRIAL
	P O BOX 8 INMAN, SC 29349

RIGHT WAY BASEBALL	31902 INDUSTRIAL PARK DR
TEXAS PIT CRAFTERS	13315 TIMBERWILD CT TOMBALL, TX 77375
EMERALD COAST EXCHANGE, INC.	31903 DECKER INDUSTRIAL
TEXAS PIT CRAFTERS	P O BOX 83 TOMBALL, TX 77377
SMITH, ROBERT G	31907 INDUSTRIAL PARK DR
KINSEY, PAT	1400 GRAHAM DR. SUITE #B-268 TOMBALL, TX 77375
OSBORN TECHNICAL SERVICES, INC.	31909 DECKER INDUSTRIAL
SMITH, ROBERT G	P O BOX 83 TOMBALL, TX 77377
RSC RENTAL EQUIPMENT	31910 DECKER INDUSTRIAL
CIVIC ENTERPRISES INC	PO BOX 1887 TOMBALL, TX 77377
TURN-TECH INC	31915 INDUSTRIAL PARK DR
FIREHOUSE MUSIC	P.O. BOX 424 TOMBALL, TX 77377
DECKER PINES SHOPPING CNTR	31925 DECKER INDUSTRIAL
SONIC DRIVE-IN	10123 CADDO TR MAGNOLIA, TX 77354
ACE FENCE CO.	31931 SH 249
STAHL, CHRISTOPHER	PO BOX 1887 TOMBALL, TX 77377
SCHULTZ, RICHARD & PATRI	32000 SH 249
WOOD, ERIC C.	MAIL STOP #8 PO BOX 182397 COLUMBUS, OH 43218
BRUMLEY, BOB E.	32002 SH 249
CARING CORNER	32002 SH 249 PINEHURST, TX 77362
REGIONS FINANCIAL CORP	32007 INDUSTRIAL PARK DR
AMERICAN FIREWORKS	32007 INDUSTRIAL PARK PINEHURST, TX 77362
ALLSTAR RECYCLING	32007 SH 249
AMERICAN FIREWORKS	32007 SH 249 PINEHURST, TX 77362
	32015 SH 249
	ROBERT WHITAKER PO BOX 266 TOMBALL, TX 77377
	32017 DECKER PRAIRIE RD
	32017 DECKER PRAIRIE RD PINEHURST, TX 77362
	32025 INDUSTRIAL PARK DR
	P.O. BOX 184 TOMBALL, TX 77377
	32031 S WIGGINS
	32031 S WIGGINS MAGNOLIA, TX 77355
	32043 S WIGGINS
	32043 S WIGGINS MAGNOLIA, TX 77355
	32048 S WIGGINS
	32048 S WIGGINS MAGNOLIA, TX 77355
	32051 S WIGGINS
	32051 S WIGGINS MAGNOLIA, TX 77355
	32212 DECKER PRAIRIE RD
	32212 DECKER PRAIRIE RD MAGNOLIA, TX 77355
	32323 SH 249 #1
	C/O CB RICHARD ELLIS P O BOX 360567 BIRMINGHAM, AL 35236
	32326 SH 249
	P.O. BOX 64 BASTROP, TX 78602
	32331 DECKER PRAIRIE RD
	PO BOX 1320 PINEHURST, TX 77362
	32340 SH 249

HAWLEY, JAMIE	P.O. BOX 64 BASTROP, TX 78602
	26631 DECKER PRAIRIE ROSE
H & S VALVE, INC.	26631 DECKER PRAIRIE ROSE MAGNOLIA, TX 77355
	31818 INDUSTRIAL PARK DR
OVERTON, NICOLE	31818 INDUSTRIAL PARK DR PINEHURST, TX 77362
	26602 SANTA FE
FUSAN YEH/ SAN PROPERTIES	26602 SANTA FE MAGNOLIA, TX 77355
	25610 CANDY LN
HAWS, GLENDA	PO BOX 3101 CERRITOS, CA 90703
	26643 MISSOURI PACIFIC
WP ENGINEERING CONSULTANTS	26643 MISSOURI PACIFIC MAGNOLIA, TX 77355
	26715 DECKER PRAIRIE ROSE A
TECH FIELD DEVELOPMENT	26715 DECKER PRAIRIE ROSE MAGNOLIA, TX 77355
	26980 DECKER PRAIRIE ROSE
	26980 DECKER PRAIRIE ROSEHILL MAGNOLIA, TX 77355

STATE OF TEXAS

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COUNTY OF MONTGOMERY

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**AGREEMENT FOR SALE AND PURCHASE
OF WASTEWATER SYSTEM ASSETS**

This Agreement for Sale and Purchase of Wastewater System Assets (the "Agreement") is made and entered into as of the ____ day of February, 2012 (the "Effective Date"), by and between QUADVEST, L.P., a Texas limited partnership ("QUADVEST"), and HMW SPECIAL UTILITY DISTRICT OF HARRIS AND MONTGOMERY COUNTIES, a Texas water district and political subdivision ("HMW") (collectively, the "Parties"). For and in consideration of the performance, mutual promises and other valuable consideration exchanged by the parties hereto as set forth herein, the Parties hereby agree as follows:

I. Intent and Purpose of Agreement

This Agreement sets forth the terms and conditions subject to and by which HMW shall sell, and QUADVEST shall buy, the wastewater system assets described below.

II. Sale of Wastewater Assets

Subject and pursuant to the terms and conditions of this Agreement, HMW agrees to sell, assign, transfer, grant, and convey to QUADVEST, on the Closing Date (hereinafter defined), all of the rights, title, and interest of HMW in and to the following (collectively referred to as the "Wastewater Assets"):

a. Facilities and Fixtures. All collection facilities, meters, valves, pipes, pumps, fittings, fixtures, equipment, and other tangible assets associated with HMW's wastewater system, including, but not limited to, those items more particularly described in Exhibit "A" attached hereto and incorporated herein for all purposes (the "Facilities and Fixtures"). Without otherwise limiting this provision, the Facilities and Fixtures do not include HMW's wastewater system assets described in Exhibit "B", including but not limited to HMW's 5500 Package portable wastewater treatment plant and the 100KW Baldor generator adjacent thereto, which are not being sold to QUADVEST under this Agreement.

b. Contracts. Subject to their terms, all contracts, option rights, licenses, reimbursement rights, service agreements, warranties, intellectual property, and other intangible assets of HMW relating to the Facilities and

Fixtures including, but not limited to, those more particularly described in Exhibit "C" attached hereto (collectively referred to herein as the "Contracts").

c. Property. All land and interests therein, including without limitation any real property locations of property conveyed in fee, easements (including all easements or other property rights necessary to satisfy the requirements of 30 TAC § 309.13), and rights-of-way, owned or held by HMW for access to or the installation, operation, repair or maintenance of or other use of the Facilities and Fixtures, all of which land and interests therein are more particularly described in Exhibit "D" attached hereto and incorporated herein for all purposes, together with all and singular the rights, privileges, and appurtenances pertaining to said land and interests therein, including any transferable right, title, or interest of HMW in and to adjacent streets, alleys, or rights-of-way, together with any improvements, fixtures, and personal property of HMW situated on and attached to said land and interests therein (collectively referred to herein as the "Property").

d. Accounts and Customer Deposits. In addition to those specified under Exhibit "C" and Paragraph II. b. above, and subject to the additional applicable terms of this Agreement, all of HMW's customer accounts and deposits for wastewater service existing on the Closing Date. Current customer accounts and deposits are set forth on Exhibit "E" attached hereto.

e. Written Materials. All books, records, ledgers, files, documents, correspondence, lists, plats, studies, reports, architectural plans, drawings, and specifications, engineering plans and reports, and other printed or written material pertaining to the Facilities and Fixtures.

f. Customer Information. All applications, customer wastewater account data, related deposit information, and other information regarding HMW's wastewater customers.

g. Certificates and Permits. Subject to the additional applicable terms of this Agreement, HMW's TPDES Permit, Certificate of Convenience and Necessity No. 20734 and all other federal, state and local permits and licenses required to own and operate its wastewater system and the Wastewater Assets.

Notwithstanding anything in this Agreement to the contrary, except for HMW's accounts payable and accrued expenses incurred in the ordinary course of business, QUADVEST does not and shall not assume or agree to assume, and shall not acquire or take over, the liabilities and obligations of HMW of any nature, direct, contingent, or otherwise.

III. Purchase Price

In consideration of HMW's transfer of the Wastewater Assets pursuant to this Agreement, QUADVEST shall pay to HMW on the Closing Date the amount determined by the product of Three Hundred and no/100 Dollars (\$300.00), times the number of HMW's active wastewater connections.

For the purposes of this Agreement, "active wastewater connections" means all wastewater utility customers as the term "Utility Customer" is used in HMW's Rate Tariff and Order dated November 16, 2011, and all revisions thereof ("HMW's Tariff") as of tenth (10th) business day preceding the Closing Date.

As further consideration of HMW's transfer of the Wastewater Assets pursuant to this Agreement, beginning on the thirtieth (30th) day after the Closing Date, and on the same day thereafter in each of the twenty three (23) succeeding months, such being a total of twenty four (24) months following the Closing Date, QUADVEST shall pay to HMW the amount determined by the product of Thirty and no/100 Dollars (\$30.00), times the number of HMW's active wastewater connections that was determined for calculation of the payment made by QUADVEST on the Closing Date. The payment of such amounts shall be further specified by a promissory note in the form shown on Exhibit "F" to this Agreement.

IV. Diligence Review, Right to Terminate, and Purchase Price Reduction Notice

a. Asset Review - During the period beginning on the Effective Date, QUADVEST shall have a period of thirty (30) days (the "Diligence Period") to conduct a review of the Wastewater Assets. At QUADVEST's request, the Diligence Period shall be extended by 30 days if QUADVEST is unable to complete the review of the Wastewater Assets within the initial 30 day period due to circumstances beyond QUADVEST's reasonable control. At QUADVEST's request, HMW shall make available or provide access to QUADVEST, at the initiation of the Diligence Period or on later request by QUADVEST during the Diligence Period, the Wastewater Assets, including: (a) the physical assets and related real property, and (b) copies of all records relating to the operation of the assets, including, without limitation, accounts payable and receivable lists, vendor contracts, management agreements, maintenance records, engineering drawings and reports, deeds, easements, and permits.

b. Title Review

(i) Title Commitment. After the Effective Date and not later than five (5) business days after QUADVEST's request that it do so, HMW will request a Commitment for Title Insurance ("Title Commitment") from a title company acceptable to QUADVEST (the "Title Company"). The Title Commitment shall set forth the status of the title of the Property and show all liens, claims, encumbrances, easements, rights of way, encroachments, reservations, restrictions, and any other matters affecting the Property. HMW shall cause the Title Company to furnish to QUADVEST a true, complete, and legible copy of all documents referred to in the Title Commitment, including without limitation all deeds, lien instruments, plats, reservations, restrictions, and easements. QUADVEST shall reimburse HMW for the reasonable charges of the Title Company for obtaining the Title Commitment, and shall pay the cost of the title insurance premium if it elects to request a title insurance policy.

(ii) Review of Title Commitment. QUADVEST shall have twenty (20) days from QUADVEST's receipt of the Title Commitment in which to examine it and to specify to HMW those items reflected thereon which QUADVEST will accept as permitted exceptions to title ("Permitted Exceptions"), and those items which QUADVEST finds objectionable ("Title Objections"). HMW shall use all reasonable efforts to correct or remove all Title Objections, give QUADVEST written notice thereof, and cooperate with QUADVEST to obtain at or prior to Closing an amended Title Commitment reflecting the correction or deletion of such matters. If QUADVEST does not deliver to HMW a written notice specifying those items which are Permitted Exceptions and Title Objections within the above stated time period, then all of the items reflected on the Title Commitment shall be considered to be Permitted Exceptions. However, any liens affecting the Property and any other exceptions listed in Schedule C to the Title Commitment shall be Title Objections, and HMW shall cause such liens and exceptions to be released at or prior to Closing unless the parties shall otherwise agree.

(iii) Uncorrected Title Objections. If HMW fails to correct or remove all Title Objections, or provide QUADVEST and the Title Company with satisfactory evidence of HMW's ability to correct and remove all Title Objections, prior to the end of the Review Period, or if HMW fails to cause all of the Title Objections which HMW agreed to correct or remove to in fact be corrected or removed prior to Closing,

QUADVEST shall have the right to pursue the options set forth in Subparagraphs c. and d., below.

c. Notwithstanding any provisions herein or elsewhere to the contrary, QUADVEST shall be entitled to terminate this Agreement, for any reason or no reason whatsoever, by delivering written notice of termination to HMW on or before the expiration of the Diligence Period. Upon execution of this Agreement, QUADVEST has delivered to HMW, and HMW confirms receipt of, One Hundred and No/100 Dollars (\$100.00) the ("Option Fee"), as independent consideration for the termination option granted to QUADVEST under this Paragraph IV.c. The Option Fee is in addition to and independent of any other consideration provided in this Agreement, is non-refundable, and shall be retained by HMW notwithstanding any other provision of this Agreement.

d. QUADVEST may notify HMW in writing of its desire to reduce the Purchase Price specified in Article III. hereof, based on its review of the Wastewater Assets, prior to the expiration of the Diligence Period. If QUADVEST notifies HMW that it desires to renegotiate such price pursuant to this Paragraph IV.d., it shall also provide with such notification (a) the specific reasons therefor, (b) the location and a description of the Wastewater Assets to which they apply, and (c) its specific proposal to renegotiate the purchase price. In the event of such notification by QUADVEST, HMW and QUADVEST shall engage in good faith negotiations to modify or amend this Agreement for a period of ten (10) business days. Thereafter, if no modification or amendment is agreed to by the parties, either party may terminate this Agreement on thirty (30) days notice to the other party and neither Party shall have any further rights or obligations under this Agreement.

e. Any notification by QUADVEST to HMW under Paragraph IV. d. above, or any other notification regarding the condition, capacity or suitability of HMW's Wastewater Assets, shall be delivered (a) confidentially, (b) solely to HMW through its designated representatives, and (c) as further provided by Article XI. of this Agreement.

f. The Parties acknowledge that following their acquisition, QUADVEST desires to modify or convert the Wastewater Assets acquired from HMW under this Agreement to permit their connection and subsequent supply of untreated wastewater from HMW's wastewater treatment plant to QUADVEST's Decker Oaks wastewater treatment plant at 12150 Broken Bow, Pinehurst, Texas 77362. Nevertheless, the condition, capacity or suitability of HMW's Wastewater Assets for any such modification or conversion by QUADVEST, including the

reversal of their direction of flow, shall not be the basis for any renegotiation of the purchase price specified in Paragraph IV. d. or any notification to that effect by QUADVEST to HMW. Further, any representation by HMW of or regarding the condition, capacity or suitability of the Wastewater Assets for any such modification or conversion is hereby expressly disclaimed by HMW and is subject to the warranty disclaimer provisions set forth in Article IX. of this Agreement.

g. Following the expiration of the Diligence Period, unless otherwise agreed to by the parties, HMW and QUADVEST shall cooperate in advance of the Closing Date to facilitate the transfer to QUADVEST of all billing, collection and other administrative functions related to the transfer to QUADVEST on the Closing Date of the Wastewater Assets, and their use and operation thereafter by QUADVEST.

V. Environmental Regulatory Matters

a. Following the execution of this Agreement, HMW shall submit an application to amend its Certificate of Convenience and Necessity No. 20734, issued by the Texas Natural Resource Conservation Commission on October 9, 1998 ("CCN"), to expand the delineated sewer service area under the CCN to encompass all of the area identified as "~~HMW SUD~~" on Exhibit "G" to this Agreement, but limited to such area, that is not currently part of the CCN. The Parties agree that QUADVEST shall pay the regulatory filing fees associated with the application for a CCN amendment, and shall, at its cost, conduct as much of the work as HMW requests and is otherwise feasible for QUADVEST to conduct to prepare, submit, and support the amendment application, except to the extent the amendment application becomes the subject of a hearing request by a third party. If the amendment application becomes the subject of such a hearing request, (1) either of the Parties may elect to rescind this Agreement for the purchase of the Wastewater Assets; or (2) the Parties may enter into a cost-sharing agreement for the work required to address the hearing request. In the event that either of the Parties rescinds the Agreement, the transaction set forth in this Agreement shall be wholly and entirely rescinded. In such case, the Parties shall cooperate with each other to return each of the Parties as nearly as possible to the same position it was in prior to the execution of the Agreement.

b. To the extent allowed under applicable law and TCEQ or U.S. Environmental Protection Agency ("EPA") policy and procedures, concurrently with the filing of the application for the amended CCN, as set forth in Paragraph a. above, or as the parties shall otherwise agree, QUADVEST shall commence applications to the TCEQ and the EPA, as required, to effect approval of the

* and the eight lots to the immediate north of the identified area between Hwy 249 to the east and Decker Prairie Rosehill to the west and the four lots that are adjacent to the northern boundary of Decker Prairie Road beginning immediately west of Hwy 249

TCEQ Water CCN

*cc

2-28-12

MPD
2-29-12

2-28-12

MPD
2-29-12

amended *MD 2-29-12*
ST 2-28-12
transfer to QUADVEST, conditioned on the closing of the sale of Wastewater Assets under this Agreement, of (1) the sale of HMW's Wastewater Assets, including the CCN (the "STM application"), and (2) HMW's Permit to Discharge Wastes, i.e. TPDES Permit No. WQ0014266001, issued by the TCEQ on June 26, 2007 (the "TPDES Permit"), and all renewals thereof. The Parties further acknowledge that HMW has timely initiated and is prosecuting its application to renew and extend the TPDES Permit.

c. HMW shall fully cooperate with and support QUADVEST on the STM application and the TPDES Permit transfer application, provide all information reasonably required to prosecute them to conclusion and execute all required consents and other documents. Nevertheless, it is QUADVEST's sole responsibility to file and prosecute such STM and TPDES Permit transfer applications, and all costs incident thereto incurred by QUADVEST for attorney's fees, expert input and testimony, if required, and all related costs incurred by QUADVEST shall be the responsibility of QUADVEST.

d. HMW's cooperation and support shall continue until: (1) the STM and TPDES Permit transfer applications are finally approved and the CCN and TPDES Permit are transferred to or reissued in the name of QUADVEST; (2) such applications are disapproved; or (3) this Agreement is terminated.

e. QUADVEST shall promptly withdraw the STM and TPDES Permit transfer applications if the sale of assets under this Agreement is not finalized on the Closing Date, or if this Agreement is terminated for any reason under the provisions of Article XIV. hereof or otherwise under the terms of this Agreement.

f. Notwithstanding any provisions herein or elsewhere to the contrary, the obligations of the Parties to consummate this transaction are subject to the approval by the Executive Director of the TCEQ authorizing the Parties to close the transaction contemplated herein in accordance with applicable STM application requirements.

g. After the Closing, TCEQ is expected to issue a final order approving the STM Application and to approve the transfer of the TPDES permit. In the event either or both of such applications are finally disapproved or are overturned on appeal, QUADVEST shall have the option, in its sole discretion, to rescind the purchase of the Wastewater Assets. In the event that QUADVEST rescinds the purchase of the Wastewater Assets pursuant to this paragraph, the transaction shall be wholly and entirely rescinded. The Parties agree to cooperate with each other to return each Party as nearly as possible to the same position it was in prior to the