



Control Number: 43117



Item Number: 2

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.



**APPLICATION FOR SALE, TRANSFER,
OR MERGER OF A RETAIL PUBLIC UTILITY
RECEIVED**

2014 SEP 16 AM 11:47

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PUBLIC UTILITY COMMISSION
FILING CLERK

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RECEIVED
JUN 12 2014

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**APPLICATION FOR SALE, TRANSFER,
OR MERGER OF A RETAIL PUBLIC UTILITY**

*RN# 105016315 *CN# 603067331 *If known (See instructions)

1. Proposed action of application (check all the boxes that apply):

☒ Sale of ☒ All ☐ Portion of the ☒ Water system(s) under CCN No.: 13094
☐ Acquisition ☐ Sewer system(s) under CCN No.: _____
☐ Lease/Rental

☐ Transfer of ☐ All ☐ Portion of the ☐ Certificated water service area – CCN No.: _____
☐ Certificated sewer service area – CCN No.: _____

If only a portion of a system or certificated service area is affected by this transaction, please specify the areas or subdivision involved:

Excluded from this sale is the Post Oaks Subdivision (PWS #1980018)

and to:

☐ Obtain a CCN for the transferee (purchaser) – indicate if purchaser will take the seller's CCN
☒ Amend the transferee's CCN No.: Water - 12252
☐ Merge or consolidate public utilities _____
☐ Cancel CCN of the transferor (seller) _____

2. Proposed effective date of this transaction: October 31, 2014

(Must be at least 120 days after proper notice is provided)

**QUESTIONS 3 THROUGH 5 APPLY TO THE TRANSFEROR
(CURRENT SERVICE PROVIDER OR SELLER)**

3. For the current CCN holder or service provider please indicate:

A. Name: Brazos Valley Septic & Water, Inc.

(Individual, Corporation or Other Legal Entity)

who is a(n): of ☐ Individual ☒ Corporation ☐ WSC ☐ HOA or POA ☐ Other _____

B. Utility Name (if different than above): _____

Address: 3303 Cain Road, College Station, Texas 77845-6268 Telephone: (AC) (979) 696-0664

C. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name: Mark H. Zeppa, P.C.

Title: Attorney

Address: 4833 Spicewood Springs Road, Suite 202
Austin, TX 78759

Telephone: (AC) (512) 346-4011

Fax: (512) 346-6847

Email: markzeppa@austin.rr.com

4. About the last rate increase for the system or facilities being transferred:
- A. What was the effective date of the last rate increase? January 1, 2014 - Pending
- B. Was notice of this increase provided to the Texas Commission on Environmental Quality or its predecessors?

☐ No ☒ Yes Application/Docket Number: Application No. 37771-R Date: January 1, 2014

5. Please provide a list of all customers affected by this transaction who have deposits held by the transferor or seller utility, if any, and include the following information (attach additional sheets if necessary):

Name and Address of Utility Customer	Date of Deposit	Amount of Deposit	Amount of Unpaid Interest on Deposit
No customer deposits are held by transferor			

- ☛ Within 30 days of the actual transaction date, and prior to the transfer of the certificate by the TCEQ, the seller must provide proof to the Commission that these customer deposits were returned to the customers or transferred to the purchasing utility. Proof should include a sworn affidavit.

QUESTIONS 6 THROUGH 16 REFER TO THE TRANSFeree OR PURCHASER

6. For the person or entity acquiring the facilities and/or CCN:

Applicant: Nerro Supply, LLC

(Individual, Corporation, or Other Legal Entity)

Utility Name: _____

(If different than above)

Utility Address: 25003 Pitkin Road, Suite A400, Spring, Texas 77386-1479

Fax: _____ Email: _____ Telephone (AC): (281) 355-1312

CCN Numbers held prior to the filing of this application: Water - 12352 and Sewer - 20366

7. Check the appropriate box and provide information regarding the legal status of the transferee applicant:

☐ Individual

☐ Home or Property Owners Association

☐ Partnership; attach copy of partnership agreement

☒ Corporation; provide charter number as recorded with the Office of the Secretary of State for Texas: 0801380548

☐ Non-profit, member-owned, member-controlled Cooperative Corporation (Article 1434(a) Water Supply or Sewer Service Corporation); provide charter number: _____

☐ Municipally-owned utility

☐ District (MUD, SUD, WCID, etc.)

☐ County

☐ Other (please explain): _____

8. If the applicant is an *Individual* or sole proprietorship, provide the following information. If not, skip to the next question.

Name:		Email:	
Address:			
Telephone (AC):		Fax (AC):	

9. If the applicant is other than an *Individual* provide the following information regarding the officers or partners of the legal entity applying for the transfer. You must complete either question 8 or question 9, whichever applies to the transferee applicant.

•Name:	Gregory P. Pappas	Telephone (AC):	(281) 355-1312
Address:	P.O. Box 1629, Spring, Texas 77386		
Position:	Manager	Ownership % (if applicable):	

•Name:	Charlie Gasper	Telephone (AC):	(281) 355-1312
Address:	P.O. Box 1629, Spring, Texas 77386		
Position:	Manager	Ownership % (if applicable):	

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	

- Attach additional sheet(s) if necessary -

- ☛ **Important:**
- If the applicant is a for-profit corporation, please provide a copy of the corporation's "Certification of Account Status" from the State Comptroller Office. This "Certification of Account Status" can be obtained from: **(See Attached Certificate)**

Texas Comptroller of Public Accounts
P. O. Box 13528, Capitol Station
Austin, Texas 78711
1-800-252-5555

- If the applicant is an Article 1434a water supply or sewer service corporation or other non-profit corporation, please provide a copy of the Articles of Incorporation and By-Laws.

10. Contact person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney or accountant.

Name:	Bret W. Fenner, P.E.	Title:	Engineer
Address:	P.O. Box 500264, Austin, TX 78750	Telephone (AC):	(512) 264-9124
Fax #	512) 692-1967	Email	bretfenner@yahoo.com
Relationship to the applicant:	Engineer		

IF THERE ARE MORE THAN TWO PARTIES INVOLVED IN THIS TRANSACTION, PLEASE ATTACH SHEETS PROVIDING THE INFORMATION REQUIRED IN QUESTION 6 THROUGH QUESTION 10 FOR EACH PARTY

11. Please respond to each of the following questions. Attach additional sheets if necessary.
- A. Describe the experience and qualifications of the applicant to provide adequate utility service to the requested area

The applicant will manage this utility through its operating company Gulf Utility Service, Inc. The applicant is a local company which owns and operates a number of water and wastewater systems in the region. The applicant will maintain this utility in compliance with the rules and regulations of the TCEQ, as well as federal and local laws, rules and regulations.

- B. Has the applicant acquiring the CCN or facilities or an affiliated interest of the applicant been under enforcement action by the TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG) or the Environmental Protection Agency (EPA) in the past for noncompliance with rules, orders or State Statutes? ☐ Yes ☒ No

If yes, please attach copies of any correspondence with these regulatory agencies concerning these enforcement actions and describe any actions and efforts to comply with those requirements. Attach additional sheets if needed.

--

- C. Describe the source and availability of funds required to make the planned or required improvements, if any, to meet minimum requirements of the TCEQ and ensure continuous and adequate service.

The utility has the financial capability to make any improvements from cash flow generated from its operation and ownership of both water and sewer utilities in this application.

- D. Describe the anticipated impact of this transaction on the quality of utility service and explain any anticipated changes in the quality of service.

There will not be any significant impact on the quality of utility service, as the applicant will operate this water and sewer utility after the sale and transfer of the utility through its operating company, Gulf Utility Service, Inc. The applicant's operating company is located in the region and will be able to response quickly to emergencies.

- E. How will the transaction serve the public interest?

The applicant will manage this utility through its operating company Gulf Utility Service, Inc. The applicant is a local company which owns and operates a number of water and wastewater systems in the region. The applicant will maintain this utility in compliance with the rules and regulations of the TCEQ, as well as federal and local laws, rules and regulations. Since the applicant's operating company is located in the region and will be able to response quickly to emergencies.

12 Please describe the nature of the proposed transaction:

The purpose of this transaction is for Nerro Supply, LLC to purchase the water assets of Brazos Valley Septic & Water, Inc. and to amend its current water certificated service area to include these service areas.

(See Attached Contract of Sale between the Parties)

13 If the transferee applicant is an Investor Owned Utility (IOU) and will be under the rate jurisdiction of the TCEQ, please provide the following information. Water supply or sewer service corporations and political subdivisions of the state should mark this section N/A:

A.	• Total Purchase Price:	\$ 400,000
	• Total Original Cost (as recorded on books of seller or merging entity):	\$ 731,233
	• Accumulated Depreciation as of the proposed effective date of the transaction:	\$ (448,717)
	• Contributions in Aid of Construction:	
	- Specific surcharges approved by TCEQ:	0
	- Revenues from explicit customer agreements:	0
	- Developer Contributions (please explain):	0
	- Other Contributions (please explain):	0

Total Contributions in Aid of Construction 0

• Net Book Value: \$ 282,516

☞ If the Original Cost or any of the above items has been established in a rate case proceeding by the PUC, the TWC or the TCEQ, please provide the Application/Docket Number and date:

Application/Docket Number: _____ Date: _____

☞ If the applicant is not under the rate jurisdiction of the TCEQ, only the purchase price and information related to Contributions in Aid of Construction is required.

B. Please provide any other information concerning the nature of the transaction you believe should be given consideration if not explained elsewhere in the application [attach additional sheet(s) if necessary]:

The applicant is only amending its CCN service area to include the existing service areas of Brazos Valley Septic and Water. The applicant is not requesting any additional CCN service areas other than those existing service areas of Brazos Valley Septic and Water.

The Post Oaks Subdivision (PWS #1980018) is excluded from this transaction.

Brazos Valley Septic and Water has filed a Rate/Tariff Change Application (No. 37771-R) which is pending final approval from the TCEQ.

- C. Complete the following proposed entries listed below as shown in books of purchasing (or surviving) company. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations.

Utility Plant in Service:	\$ 731,233
Plant Acquisition Adjustment:	
Extraordinary Loss on Purchase:	
Accumulated Depreciation of Plant:	\$ 448,717
Cash:	
Notes Payable:	
Mortgage Payable:	
Others (please list):	

As the purchaser, I understand that it is **my responsibility** in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service.

Purchaser's Initials: _____ Date: _____

14. Please indicate the proposed effect of this transaction on the rates to be charged to the affected customers:

- ☒ All the customers will be charged the same rates as they were charged before the transaction.
☐ Some ☐ All customers will be charged different rates than they were charged before the transaction.

If rates are changing, please explain:

No change in the rates charged customers will results from this transaction.

☐ Applicant is an IOU and intends to file with the Commission or municipal regulatory authority an application to change rates of some/all of its customers as a result of this transaction. If so, please explain:

☒ Other. Please explain:

Brazos Valley Septic and Water has a filed a Rate/Tariff Change Application (No. 37771-R) which is awaiting final approval from the TCEQ. These rates have been in effect since January 1, 2014 pending final approval.

15. List all neighboring water and /or sewer utilities, cities, and political subdivisions providing the same service within two (2) miles of area affected by this proposed transaction. This information should be available from the water utility database (WUD) or Applicant's licensed water operator.

(See Attached List)

16. Financial, Managerial and Technical information for the acquiring entity.

HISTORICAL BALANCE SHEETS

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
TOTAL						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO EQUITY TO TOTAL ASSETS						

See Attached
Financial Statements

HISTORICAL INCOME STATEMENT

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

**See Attached
Financial Statements**

HISTORICAL EXPENSES STATEMENT

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year						
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year						
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

**See Attached
Financial Statements**

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
Total						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO						
EQUITY TO TOTAL ASSETS						

**See Attached
Financial Statements**

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

**See Attached
Financial Statements**

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense		See Attached Financial Statements				
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year						
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year						
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income						
Depreciation (If Funded)						
Loan Proceeds		See Attached Financial Statements				
Other						
Total Sources						
USES OF CASH						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
Total Uses						
NET CASH FLOW						
DEBT SERVICE COVERAGE						
Cash Available for Debt						
SERVICE (CADS)						
Net Income (Loss)						
Depreciation, or Reserve Interest						
Total						
REQUIRED DEBT SERVICE (RDS)						
Principle Plus Interest						
DEBT SERVICE COVERAGE RATIO						
CADS Divided by RDS						

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0	2	6	0	0	1	9
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Date of last inspection: July 20, 2011

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

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 -Name of Permittee: _____
 -Date of application to transfer Discharge Permit submitted: _____
 -Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

None

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

(See Attached Comprehensive Compliance Evaluation Investigation)

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:
 _____ Water _____ Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No
☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2" meter	-Residential Connection	0
	-5/8" or 3/4" meter	43	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			43	Total Sewer Connections	0

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
 If yes, please explain what steps are being taken to address the capacity issues:

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0 | 2 | 1 | 0 | 0 | 3 | 9

Date of last inspection: September 19, 2012

B. For Wastewater Systems:

-TCEQ Discharge Permit Number:

W Q

--	--	--	--	--	--	--	--

-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

None

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):
(See Attached Comprehensive Compliance Evaluation Investigation)

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:
_____ Water _____ Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No
☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis
 • Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2" meter	-Residential Connection	0
	-5/8" or 3/4" meter	120	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			120	Total Sewer Connections	0

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
 If yes, please explain what steps are being taken to address the capacity issues:

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0	2	6	0	0	1	0
---	---	---	---	---	---	---

Date of last inspection: June 23, 2011

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

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-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

None

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

(See Attached Comprehensive Compliance Evaluation Investigation)

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:

_____ Water _____ Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No

☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2"meter	-Residential Connection	0
	-5/8" or 3/4" meter	36	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			36	Total Sewer Connections	0

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
If yes, please explain what steps are being taken to address the capacity issues:

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number: 0 | 2 | 6 | 0 | 0 | 2 | 1

Date of last inspection: February 16, 2012

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

None

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

(See Attached Comprehensive Compliance Evaluation Investigation)

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:

_____ Water _____ Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No

☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2"meter	-Residential Connection	0
	-5/8" or 3/4" meter	116	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			116	Total Sewer Connections	0

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
 If yes, please explain what steps are being taken to address the capacity issues:

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0	2	1	0	0	4	2
---	---	---	---	---	---	---

Date of last inspection: March 31, 2011

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

--	--	--	--	--	--	--	--

-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

None

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

--

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

(See Attached Comprehensive Compliance Evaluation Investigation)

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:

_____ Water _____ Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No

☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2"meter	-Residential Connection	0
	-5/8" or 3/4" meter	55	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			55	Total Sewer Connections	0

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
 If yes, please explain what steps are being taken to address the capacity issues:

Little Oak Forest Subdivision

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0	2	6	0	0	3	7
---	---	---	---	---	---	---

Date of last inspection: November 30, 2011

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

--	--	--	--	--	--	--	--

-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

None

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

--

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

(See Attached Comprehensive Compliance Evaluation Investigation)

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:

_____ Water _____ Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No

☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water			Sewer	
-Non Metered		-2"meter	-Residential Connection	0
-5/8" or 3/4" meter	17	-3" meter	-Commercial Connection	
-1" meter		-4" meter	-Industrial Connection	
-1 1/2" meter		-Other	-Other	
Total Water Connections:		17	Total Sewer Connections	0

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
 If yes, please explain what steps are being taken to address the capacity issues:

Oak Forest Lakeway Manor

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number: **1 | 9 | 8 | 0 | 0 | 1 | 7 |**

Date of last inspection: **April 26, 2012**

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

None

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

(See Attached Comprehensive Compliance Evaluation Investigation)

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:

_____ Water _____ Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No

☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2"meter	-Residential Connection	0
	-5/8" or 3/4" meter	44	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			44	Total Sewer Connections	0

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
 If yes, please explain what steps are being taken to address the capacity issues:

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0	2	1	0	0	1	0
---	---	---	---	---	---	---

Date of last inspection: July 14, 2011

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

--	--	--	--	--	--	--	--

-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

None

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

--

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

(See Attached Comprehensive Compliance Evaluation Investigation)

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:

_____ Water _____ Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No

☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2"meter	-Residential Connection	0
	-5/8" or 3/4" meter	52	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			52	Total Sewer Connections	0

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
 If yes, please explain what steps are being taken to address the capacity issues:

**PLEASE ANSWER QUESTIONS 17 THROUGH 22 ON A DIFFERENT SHEET
FOR EACH PHYSICALLY DISTINCT SYSTEM BEING
TRANSFERRED OR ACQUIRED**

17. A. For Water Systems. TCEQ Public Water System Identification Number:

0	2	6	0	0	3	2
---	---	---	---	---	---	---

Date of last inspection: July 20, 2011

B. For Wastewater Systems:

-TCEQ Discharge Permit Number: W Q

--	--	--	--	--	--	--	--

-Name of Permittee: _____

-Date of application to transfer Discharge Permit submitted: _____

-Date of application to transfer Discharge Permit approved by TCEQ: _____

18. A. Are any improvements required to meet TCEQ standards? ☐ Yes ☒ No. If yes, please explain:

None

B. Is there a moratorium on new connections? ☐ Yes ☒ No. If yes, please explain:

C. Provide details of each required major capital improvement to correct the deficiencies and meet the TCEQ standards (attach additional sheets if necessary):

(See Attached Comprehensive Compliance Evaluation Investigation)

Description of the Required Improvement	Schedule to Complete	Estimated Cost

19. Does the system being transferred operate within the city limits of a municipality or within district boundaries? ☐ Yes ☒ No

If yes, indicate the number of customers within the city limits or district boundaries:

_____ Water _____ Sewer

Attach copy of franchise agreement or consent letter from the city or district.

20. Do you currently purchase water or sewer treatment capacity from another source? ☐ Yes ☒ No

☐ Water ☐ Sewer Purchased on a ☐ Regular ☐ Seasonal ☐ Emergency Basis

• Source: _____ % of total supply: _____

21. List the number of existing connections to be effected by this transaction.

Water				Sewer	
	-Non Metered		-2"meter	-Residential Connection	0
	-5/8" or 3/4" meter	10	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			10	Total Sewer Connections	0

22. Has the system reached 85% of its capacity based on TCEQ's minimum requirements? ☐ Yes ☒ No
 If yes, please explain what steps are being taken to address the capacity issues:

23. List the name, class, and license number of the operator(s) that will be responsible for the system:

Name	Class	License#
GASPER, CHARLES R	WATER OPERATOR D	WO0029939
GARCIA, FERNANDO F	WATER OPERATOR C	WG0002532
NELSON, JAMES M	SURFACE WATER C	WS0010952
STRONG, RANDY S	WATER OPERATOR C	WG0003260
CRAWLEY, ROBBIE A	WATER OPERATOR D	WO0034164
VAN ZANDT, ROBERT H	WATER OPERATOR D	WO0026589

24. Attach the following maps with each copy of the application: : **(See Attached Maps)**

- a. One small scale map clearly showing affected service area with enough detail to accurately locate the area if the application is for the transfer of all or a portion of a CCN.
- b. One large scale map showing the proposed service area boundaries being sold, transferred, or merged and, if available, the existing and proposed facilities. Color coding should be used to differentiate existing from proposed facilities. Facilities and service area boundaries should be shown with such exactness that they can be located on the ground. If transferring area not currently in a CCN or a portion of an existing CCN area please attach the following hard copy maps with each copy of the application:
 1. A general location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.
 2. A map showing only the proposed area by:
 - i. metes and bounds survey certified by a licensed state or registered professional land surveyor; or
 - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled, data disk should be included); or
 - iii. following verifiable natural and man-made landmarks, or
 - iv. a copy of recorded plat map with metes and bounds.
 3. A written description of the proposed service area.

OATH FOR SELLER OR FORMER SERVICE PROVIDER

STATE OF TEXAS

COUNTY OF Brazos

I, Charles M. Rutledge, being duly sworn, file this application for sale, lease, rental or merger or consolidation as President (indicate relationship to applicant) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Section 13.301(j) and copies of any outstanding Orders of the Commission or Attorney General and have also complied with the notice requirements in Section 13.301(k) of the Water Code.

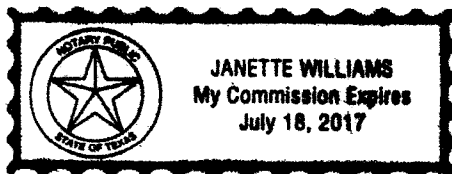
Charles M. Rutledge
AFFIANT

(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas,
day 03 of June, 20 14.

SEAL



Janette Williams
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Janette Williams
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES July 18, 2017

One copy of this page must be submitted for each utility involved in this transaction.

OATH FOR PURCHASER OR ACQUIRING ENTITY

STATE OF TEXAS

COUNTY OF HARRIS

I, CHARLES R. GASPER, being duly sworn, file this application for

sale, lease, rental or merger or consolidation as _____
(*indicate relationship to applicant*) that is, owner, member of partnership, title as officer of corporation, or other authorized representative of applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I am also authorized and do agree to be bound by and comply with any outstanding orders of the Commission or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

Charles R. Gasper
AFFIANT

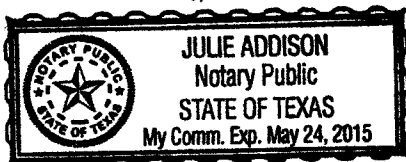
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

Applicant represents that all other parties to this transaction have been furnished copies of this completed application.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas,
day 5th of JUNE, 20 14.

SEAL



Julie Addison
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

JULIE ADDISON

PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 5-24-15

One copy of this page must be submitted for each utility involved in this transaction.

Notice to Current Customers, Neighboring Systems, Landowner and Cities

BRAZOS VALLEY SEPTIC & WATER, INC. 'S NOTICE OF INTENT TO SELL FACILITIES TO
(Seller's or Transferor's Name)

NERRO SUPPLY, LLC AND FOR **NERRO SUPPLY, LLC**
(Purchaser's or Transferee's Name) Purchaser's or Transferee's Name)

TO AMEND CERTIFICATES OF CONVENIENCE AND NECESSITY (CCN) IN
BRAZOS, BURLESON AND ROBERTSON COUNTIES, TEXAS

To: _____ Date Notice Mailed _____, 20 **14**
(Name of Customer, Neighboring System, Landowner or City)

(Address)

City State Zip

Brazos Valley Septic and Water, Inc.	3303 Cain Road	College Station, TX 77845
Sellers or Transferors' Name	Address	City/State/Zip Code

has submitted an application with the Texas Commission on Environmental Quality to sell water or sewer (please select) Facilities in **Brazos, Burleson and Robertson** [County Name] Counties to:

Nerro Supply, LLC	25003 Pitkin Road, Suite A400	Spring, TX 77386
Purchasers or Transferee's Name	Address	City/State/Zip Code

The transferee has also requested to amend CCNs in this application. The sale is scheduled to take place as approved by the Executive Director (V.T.C.A., Water Code §13.301). The transaction and the proposed service area include the following subdivision(s) and zip codes:

Apache Hills	Benchley Oaks	Lakeview North	Lakeway Manor	Lakewood Estates	Little Oak Forest
Marshal Oaks	Oak Forest	Smetana Forest	Somerville Place	Whispering Woods	
Zip Codes:	77807	77879			

Apache Hills (PWS #0260019)

This area subject to this transaction is located approximately 3.75 miles northwest [direction] of downtown Sommerville, [City or Town] Texas, and is generally bounded on the north by County Road 460; on the east by County Road 460

; on the south by Sommerville Lake; and on the west by Farm to Market Road 60

The total area being requested includes approximately 89 acres and serves 43 current customers.

Benchley Oaks Subdivision (PWS #0210039)

This area subject to this transaction is located approximately 7 miles northwest [direction] of downtown Bryan, [City or Town] Texas, and is generally bounded on the north by West OSR; on the east by Redbud Dr. / IH 190

; on the south by Mumford Drive; and on the west by West OSR

The total area being requested includes approximately 161 acres and serves 120 current customers.

Lakeview N Marshall Oaks Sommersville Place (PWS #0260010 & PWS #0260021)

This area subject to this transaction is located approximately 5 miles West [direction] of downtown Sommerville, [City or Town] Texas, and is **generally** bounded on the north by Recreation Road 4; on the east by Recreation Road 4; on the south by Sommerville Lake; and on the west by Farm to Market Road 60. The total area being requested includes approximately 162 acres and serves 152 current customers.

Lakewood Estates (PWS #0210042)

This area subject to this transaction is located approximately 7 miles Northwest [direction] of downtown Bryan, [City or Town] Texas, and is **generally** bounded on the north by West OSR; on the east by Redbud Dr. / IH 190; on the south by Mumford Drive; and on the west by West OSR. The total area being requested includes approximately 135 acres and serves 55 current customers.

Little Oak Forest Subdivision (PWS #0260037)

This area subject to this transaction is located approximately 7 miles West [direction] of downtown Sommerville, [City or Town] Texas, and is **generally** bounded on the north by Whispering Drive; on the east by Giebel Lane / Birch Creek; on the south by State Park Road 57; and on the west by State Park Road 57. The total area being requested includes approximately 222 acres and serves 17 current customers.

Oak Forest Lakeway Manor (PWS #1980017)

This area subject to this transaction is located approximately 9 miles Southwest [direction] of downtown Hearne, [City or Town] Texas, and is **generally** bounded on the north by Union Pacific RR; on the east by Union Pacific RR; on the south by US Highway 190; and on the west by US Highway 190. The total area being requested includes approximately 81 acres and serves 44 current customers.

Smetana Forest (PWS #0210010)

This area subject to this transaction is located approximately 6.25 miles Northwest [direction] of downtown Bryan, [City or Town] Texas, and is **generally** bounded on the north by Smetana Road; on the east by Smetana Road; on the south by State Highway 21; and on the west by Union Pacific RR. The total area being requested includes approximately 62 acres and serves 52 current customers.

Whispering Woods (PWS #0260032)

This area subject to this transaction is located approximately 6.5 miles Northwest [direction] of downtown Sommerville, [City or Town] Texas, and is **generally** bounded on the north by Farm to Market Road 2774; on the east by County Road 410; on the south by Farm to Market Road 60; and on the west by Farm to Market Road 60. The total area being requested includes approximately 35 acres and serves 10 current customers.

This transaction will have the following effect on the current customer's rates and services:
No change in the rates charged customers will results from this transaction.

Affected persons may file written protests and/or request a public hearing within 30 days of this notice.

To request a hearing, you must:

- (1) state your name, mailing address and daytime telephone number;
- (2) state the applicant's name, application number or another recognizable reference to this application;
- (3) include the statement "I/we request a public hearing";
- (4) write a brief description of how you, the persons you represent, or the public interest would be adversely affected by the proposed transaction and transfer of the CCN; and
- (5) state your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Only those persons who submit a written request to be notified of a hearing will receive notice if a hearing is scheduled. The Executive Director will issue the CCN requested in the referenced application unless a hearing is scheduled to consider the transaction. If no protests or requests for hearing are filed during the comment period, the Executive Director may issue the CCN 30 days after publication of this notice.

Persons who wish to protest or request a hearing on this application should write the:

Texas Commission on Environmental Quality
Water Supply Division
Utilities and Districts Section, MC-153
P. O. Box 13087, Austin, TX 78711-3087

Se desea informacion on Espanol, puede llamar al 512-239-0200.

Charlie Gasper, Manager

Utility Representative

NERRO SUPPLY, LLC

Utility Name

9. Corporation's Certification of Account Status



Franchise Tax Account Status

As of: 04/28/2014 09:01:26 AM

This Page is Not Sufficient for Filings with the Secretary of State

NERRO SUPPLY, LLC

Texas Taxpayer Number 32043563207
Mailing Address 25003 PITKIN RD STE A400
SPRING, TX 77386-1479
Right to Transact Business ACTIVE
in Texas
State of Formation TX
Effective SOS Registration 02/07/2011
Date
Texas SOS File Number 0801380548
Registered Agent Name CHARLIE GASPER
Registered Office Street 25003 PITKIN RD, STE. A400
Address SPRING, TX 77386

12. Sales and Purchase Agreements between the Parties

CONTRACT OF SALE CCN 13094

THIS CONTRACT OF SALE this ("Agreement") is entered into as of April ¹⁴11, 2014 by and between BRAZOS VALLEY SEPTIC & WATER, INC., a Texas corporation, having offices at 3033 Cain Rd, College Station, Texas 77845 ("Seller") and NERRO SUPPLY, LLC, a Texas limited liability company, having offices at 718 Westcott Street, Houston, TX 77007 ("Buyer").

RECITALS

WHEREAS, Seller owns water plants, distribution lines and other assets which furnish water supply services to residents in areas of Bryan and Somerville, Texas operated under CCN 13094 (water) (collectively the "Utility System");

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller all of the physical assets of Seller comprising the Utility System, including the real property owned by Seller and all personal property owned by Seller (collectively the "Assets") upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual premises, covenants and agreements set forth herein and in reliance upon the representations and warranties contained herein, the parties hereto covenant and agree as follows:

ARTICLE 1 SALE AND PURCHASE

Section 1.1 Sale and Purchase. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, free and clear of all liens, encumbrances, other than the Permitted Exceptions, all of Seller's right, title and interest in and to the Assets. The Assets are more particularly described on Schedule 1.1 attached hereto, including a legal description for the Property.

Section 1.2 Assumption of Liabilities. Buyer shall assume all property taxes on the Assets for 2014 and all ordinary trade payables and liabilities to the vendors and creditors of Seller (the "Assumed Debts"); provided, however property taxes for 2014 will be prorated between Seller and Buyer at the Purchase Closing (as defined herein) and Buyer will receive a credit towards the Purchase Price (defined herein) for property taxes for the period prior to Purchase Closing (as defined herein). Buyer will be responsible for all taxes accruing after the Purchase Closing.

Section 1.3 Purchase Closing. Buyer's purchase of the Assets from Seller (the "Purchase Closing") shall take place not later than fifteen (15) business days following the NOTICE OF APPROVAL to CLOSE from the Executive Director of the Texas Commission on Environmental Quality ("TCEQ"). It shall be a condition of this Agreement that Buyer shall diligently pursue approval of its Sale, Transfer or Merger (STM) Application. If the TCEQ has not issued written final approval of Buyer's STM Application by December 31, 2014, then Buyer



may terminate this Agreement by delivering written notice of termination to Seller, in which case the Earnest Money shall be refunded to Buyer.

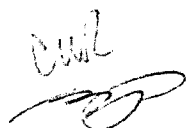
Section 1.4 Purchase Price. In consideration for the sale of the Assets by Seller to Buyer, at the Purchase Closing Buyer shall pay to Seller Four Hundred Thousand Dollars (\$400,000.00) to be paid as follows:

- i) *Earnest Money*: Buyer shall deposit with Escrow Agent the sum of \$40,000.00 upon execution hereof execution hereof ("**Earnest Money**"), which shall be applied to the Purchase Price.
- ii) *Payment of Balance of Purchase Price*: On the Purchase Closing, Buyer will remit to Seller the balance of the Purchase Price.

Section 1.5 Purchase Closing Deliveries.

At the Purchase Closing:

- (a) Seller shall deliver to Buyer :
 - (i) a Bill of Sale in the form attached hereto as Exhibit A;
 - (ii) a Special Warranty Deed in the form annexed hereto as Exhibit B;and
 - (iii) such other items as Escrow Agent may reasonably require in order to close the transaction contemplated herein (e.g., closing statement, non-foreign person affidavit, owner's affidavit).



EARNEST MONEY AND DUE DILIGENCE

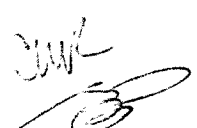
Section 2.1 Earnest Money. Earnest Money in the amount of \$40,000.00 is to be deposited with Chris Underbrink at Alamo Title Company ("**Escrow Agent**"), 5599 San Felipe Ste. 1400, Houston, Texas 77056. Any interest earned on the Earnest Money shall be considered part of the Earnest Money for all purposes under this Agreement. Upon the closing of title hereunder, or after the expiration of the Due Diligence Period, the Earnest Money shall be paid to Seller. If Buyer terminates this Agreement within the Due Diligence Period, the Earnest Money shall be refunded to Buyer.

Section 2.2 Title Commitment. Within ten (10) days after the Effective Date of this Agreement, the Seller shall (i) cause Escrow Agent to issue to Seller and Buyer a current commitment for an Owner's Policy of Title (the "**Title Commitment**") setting forth the state of title of all real property comprising a part of the Assets (the "**Property**") and all exceptions, including easements, restrictions, rights-of-way, covenants, reservations or other conditions or matters affecting such property (including copies of all such exceptions) and (ii) any survey of the Property in Seller's possession. If Buyer desires to obtain an updated Survey of the Property at Buyer's expense, it shall obtain such updated survey within ten (10) days following its receipt of Seller's existing survey, or Seller's written notice it has no current survey.

Section 2.3 Title Objections. In the event the Title Commitment or survey indicates any title exceptions or other matters concerning the Real Property which are unacceptable to Buyer then Buyer shall, within ten (10) days after receipt of Buyer's updated survey, the Title Commitment and copies of all exception documents referenced therein, notify Seller in writing of such fact. Buyer's failure to give Seller written notice of objections within such period shall be deemed to be Buyer's approval of the title matters indicated in the Title Commitment.

In the event Buyer makes objections as hereinabove set forth, Seller may either undertake to eliminate or modify any unacceptable title exceptions or conditions concerning the Real Property to the reasonable satisfaction of the Buyer until the expiration of the Due Diligence Period (hereafter defined) or give written notice to Buyer of its decision not to seek to cure Buyer's objections. In the event Seller fails to eliminate or modify the unacceptable title matters or conditions concerning the Real Property prior to the expiration of the Due Diligence Period or gives notice to Buyer of its decision not to attempt to cure Buyer's objections, Buyer may either (i) terminate this Agreement by written notice to Seller prior to the expiration of the Due Diligence Period, in which event the Earnest Money and accrued interest thereon shall be returned to Buyer or (ii) waive its objections and proceed with the purchase of the Real Property. Buyer's failure to timely terminate this Agreement prior to the expiration of the Due Diligence Period shall be deemed to be an election to waive its objections.

Section 2.4 Owner's Title Insurance Policy. In the event Buyer elects to purchase the Assets of the Seller, Seller agrees to furnish to Buyer at the Purchase Closing, at Seller's sole expense, the standard form of Texas owner's policy of title insurance, issued by the Title Seller in Buyer's favor in the amount of the agreed value of the real property without consideration of the value of personal property, insuring Buyer's fee simple title to the Real Property subject only to those title exceptions approved or deemed approved by Buyer, and the standard printed exceptions contained in the standard form of Texas owner's policy of title insurance. In the event



Buyer desires extended coverage or any modifications or endorsements to the base policy, Buyer shall be responsible for all such additional premiums or costs.

Section 2.5 Inspections/Review Periods.

A. Inspections. Buyer shall have the right to conduct, at Buyer's sole expense, such physical, engineering and feasibility studies as Buyer deems appropriate in an effort to determine whether or not the Assets are suitable for Buyer's intended use and other purposes. Buyer, its agents, employees and independent contractors, shall have the right to come onto the Property and shall have access to the other Assets for the purpose of inspecting the Assets and other tests or studies. Any inspection, examination or test shall not unreasonably interfere with Seller's use of the Assets and shall not violate any law or regulation of any governmental entity having jurisdiction over the Assets. **Buyer agrees to indemnify and hold Seller harmless from any and all loss and expense (including, without limitation, attorney's fees) resulting from claims and damages caused by, arising out of or incurred in connection with any negligence or willful misconduct of Buyer in the exercise of its rights under this paragraph.**

B. Due Diligence Period. Buyer shall have a period of thirty (30) days after the Effective Date of this Agreement (the "**Due Diligence Period**") to review all of the due diligence materials delivered to it by Seller and to conduct the investigations described above. Notwithstanding anything seemingly to the contrary, Buyer shall have the right, in its sole and absolute discretion, to terminate this Agreement prior to the expiration of the Due Diligence Period by delivering written notice thereof to Seller, in which event the Earnest Money shall be returned to Buyer.

**ARTICLE 3
REPRESENTATIONS AND WARRANTIES
OF SELLER**

Seller hereby represents and warrants to Buyer as set forth below, as of the date of this Agreement and as of the date of the Purchase Closing.

Section 2.6 Authority of Seller. Seller is duly organized, validly existing and in good standing under the laws of the State of Texas, and Seller has all requisite legal power and authority to enter into, execute and deliver this Agreement and the documents contemplated hereby to be executed by Seller, and to perform the obligations to be performed by Seller hereunder and thereunder, respectively. The execution, delivery and compliance by Seller with the terms of this Agreement and the documents contemplated hereby to be executed by Seller and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all necessary legal action by Seller. This Agreement has been duly executed and delivered by Seller and this Agreement constitutes, and the documents contemplated hereby to be executed by Seller upon their execution and delivery as herein provided will constitute, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms.

Section 2.7 No Conflicts. The execution and delivery of this Agreement and the documents contemplated hereby to be executed by Seller does not, and compliance by Seller with the terms hereof and thereof and consummation by Seller of the transactions contemplated hereby and thereby will not, (a) violate or conflict with any existing term or provision of any national, federal, state, county, parish, municipal or local law, treaty, statute, code, ordinance, rule or regulation ("**Law**") applicable to Seller or any order, writ, judgment, injunction, ruling, assessment, award or decree ("**Order**") of any Governmental Body applicable to Seller; (b) conflict with or result in a breach of or default under any of the terms, conditions or provisions of any organizational or other documents of Seller governing Seller's business or operations, or any agreement or instrument to which Seller is a party or otherwise subject, or by which Seller or the Assets or Assumed Contracts may be bound; (c) result in the creation or imposition of any Lien upon any of the Assets or Assumed Contracts; (d) give to others any right of termination, cancellation, acceleration or modification in or with respect to any agreement or instrument to which Seller is a party or otherwise subject, or by which Seller or the Assets or Assumed Contracts may be bound; or (e) breach any fiduciary duty owed by Seller to any person or entity. For purposes of this Agreement, the term "**Governmental Body**" means any (i) nation, state, county, parish, city, borough, village, district or other jurisdiction, (ii) federal, state, local, municipal, foreign or other government or instrumentality, (iii) governmental or quasi governmental authority of any nature, including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi governmental powers, (iv) body exercising or entitled or purporting to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power or (v) official of any of the foregoing.

Section 2.8 Consents and Approvals. The execution and delivery by Seller of this Agreement and the documents contemplated hereby to be executed by Seller, compliance by Seller with the terms hereof and thereof and consummation by Seller of the transactions contemplated hereby and thereby, do not require Seller to make any declaration or give any notice to, make any filing or registration with or obtain any authorization, consent, approval or action of any Governmental Body or other third party except the consent and approval of the TCEQ.

Section 2.9 Litigation. Seller is not now a party to any litigation, arbitration or other court proceeding, nor, to Seller's actual knowledge, is any such litigation, arbitration, governmental investigation or other court proceeding pending or threatened in writing which materially adversely affects the Property or Seller's right to sell the Assets.

Section 2.10 Eminent Domain. Seller has received no written notice of any condemnation, eminent domain or similar proceedings, pending or threatened, with regard to the Property.

Section 2.11 Violations. Seller has not received in the last twelve (12) months prior to the date of this Agreement any written notices from any governmental agency regarding the failure of the Property to comply with any codes, ordinances, statutes or other laws applicable to the Property, except for any failure which has been corrected.

Section 2.12 Due Diligence Materials. Seller has delivered to Buyer for review certain due diligence materials concerning the Assets, including, without limitation:

- A. all contracts affecting the Assets and historical operating statements;
- B. copies of Tariff/Rate Cases;
- C. correspondence with the TCEQ/State of Texas;
- D. copies of any violations or citations;
- E. agreements between Homeowners and Utility;
- F. previous Environmental Reports;
- G. previous Title Commitment (new report to be provided within 10 business days);
- H. previous ALTA survey;
- I. financial statements, but not limited to, Profit & Loss Statement, Balance Sheet, Cash Flow Statement, Aging Reports;
- J. specifications, installation and maintenance records and list of assets associated with the system, including, but not limited to, the length and size of pipe; number, size and type of valves, type and size or capacity of all storage tanks, pressure tanks and pressure pumps; description of chlorination facilities; description of all buildings and structures at each plant site. This information should include the date of purchase or of placing the asset into service inclusive of all equipment (tanks/pumps/generators/wells/piping), etc.;
- K. well drillers logs for original well installations if possessed by Seller;
- L. list of real property to be conveyed with the system and tax valuation for each;
- M. copies of inspection reports and responses to same covering the past five years;
- N. most recent Annual Report submitted to the TCEQ;
- O. water quality reports for the past two years;
- P. consumer confidence reports from the past two years;
- Q. list of any capital improvements necessary to bring the system up to TCEQ/EPA standards;
- R. percent of line loss for previous year period and explanation of loss; and
- S. all variances filed and reasons for variance on all systems.

Such due diligence materials are true and correct in all material respects, and represent all of the material information in Seller's possession (or under its control) concerning the Assets.

Section 2.13 Accounting Materials Requirements. Seller has delivered to Buyer for review certain accounting materials concerning the assets, including, without limitation:

- A. complete list of assets, date placed in service as known to Seller, depreciable life, and net book value;
- B. list of real property (prefer property tax bill or property tax records). Attorney to transfer real property into our name;
- C. list of common assets;
- D. list of utility providers for electric, gas, water (purchase), groundwater conservation districts. Copies of latest bill for transfer of service;

- E. list of rental property;
- F. list of any mineral rights, etc. that convey with the real estate;
- G. monthly and yearly usage and billing statements from the last two years; and
- H. RVS data files.

Such accounting materials are true and correct in all material respects, and represent all of the material information in Seller's possession (or under its control) concerning the Assets.

Section 2.14 Conveyance "As-Is" and Without Warranties. Buyer acknowledges that, except as expressly set forth herein, Buyer is purchasing the Assets based solely on Buyer's inspection and investigation of the Assets and that Buyer will be purchasing the Assets in their "AS IS" and "WITH ALL FAULTS" condition, based upon the condition of the Assets as of the date of this Contract. Without limiting the foregoing, Buyer acknowledges that, except as expressly set forth herein, neither Seller nor any of its agents have made, do not make and specifically negate and disclaim any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, with respect to: (a) the value, nature, quality or condition of the Assets, including, without limitation, the existence or nonexistence of asbestos, toxic waste or any hazardous material, water, soil or geology; (b) development rights, bonds, taxes, covenants, conditions and restrictions affecting the Property; (c) the compliance of the Assets with any laws, rules, ordinances, or regulations of any applicable governmental authority or body including, without limitation, zoning laws, building laws or codes, fire codes, or the Americans with Disabilities Act; (d) and any other matter with respect to the Property. EXCEPT AS EXPRESSLY SET FORTH HEREIN, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF CONDITION, SUITABILITY OF THE ASSETS FOR ANY AND ALL ACTIVITIES AND USES WHICH MAY BE CONDUCTED THEREON, HABITABILITY, PROFITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE ASSETS AND SELLER DOES NOT MAKE, HAS NOT MADE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES REGARDING COMPLIANCE OF THE PROPERTY WITH ANY FIRE, ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS. The provisions of this Section 3.4 shall survive Closing and delivery of the deed to Buyer.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller that:

Section 3.1 STM Application. Buyer shall submit to TCEQ an STM Application no later than fifteen (15) after the Effective Date of this Agreement. Buyer shall diligently pursue the STM Application. Buyer shall provide to Seller a copy of its application to TCEQ contemporaneously with submission thereof. Seller agrees to cooperate with Buyer's efforts to obtain TCEQ approval.

