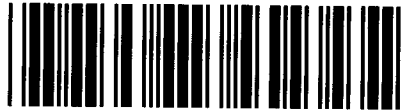


Control Number: 44387



Item Number: 1

Addendum StartPage: 0



Application for Sale, Transfer, or Merger of a Retail Public Utility

Pursuant to Chapter 13.251 of the Texas Water Code

RECEIVED
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PUBLIC UTILITY COMMISSION
FILING CLERK

Docket Number: 44387

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, along with one copy of the portable electronic storage medium (such as CD or DVD) containing the GIS data shall be filed with

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

No later than seven days after filing the application for the boundary change, provide a copy of each paper map and a portable electronic storage medium (such as CD, flash drive or DVD) containing complete and identical data to the portable electronic storage medium submitted above to

Texas Natural Resources Information System
1700 N. Congress Ave, Room B40
Austin, Texas 78701

TABLE OF CONTENTS

Part A – General Information.....	2
Part B – Current Service Provider or Seller Information.....	2
Part C – Purchaser or Transferee Information	3
Part D – Historical Financial Information	9
Part E – Projected Information	12
Part F – Public Water System Information	16
Part G – Oaths and Notices	25

Part A – General Information

*RN# *CN# * (PRIOR TCEQ ID numbers)

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

<input checked="" type="checkbox"/> Sale of	<input checked="" type="checkbox"/> All	<input type="checkbox"/> Portion	of the	<input checked="" type="checkbox"/> Water system(s) under CCN No.:	<input type="text" value="10336"/>
<input type="checkbox"/> Acquisition				<input type="checkbox"/> Sewer system(s) under CCN No.:	<input type="text"/>
<input type="checkbox"/> Lease/Rental					

<input checked="" type="checkbox"/> Transfer of	<input checked="" type="checkbox"/> All	<input type="checkbox"/> Portion	of the	<input checked="" type="checkbox"/> Certificated water service area – CCN No.:	<input type="text" value="10336"/>
				<input type="checkbox"/> Certificated sewer service area – CCN No.:	<input type="text"/>

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

N/A

and to:

<input checked="" type="checkbox"/> Obtain a CCN for the transferee (purchaser) – indicate if purchaser will take the seller's CCN	
<input type="checkbox"/> Amend the transferee's CCN No.:	<input type="text" value="Purchaser will take seller's CCN"/>
<input type="checkbox"/> Merge or consolidate public utilities	<input type="text"/>
<input type="checkbox"/> Cancel CCN of the transferor (seller)	<input type="text"/>

2. Proposed effective date of this transaction: 5/1/2015

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

Part B – Current Service Provider or Seller Information

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:

(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: Telephone: (AC)

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: <input type="text" value="Bret W. Fenner, P.E."/>	Title: <input type="text" value="Engineer"/>
Address: <input type="text" value="P.O. Box 500264, Austin, TX 78750"/>	Telephone: (AC) <input type="text" value="(512) 264-9124"/>

PUCT Sale Merger Transfer (Previous TCEQ Form 10516)

Fax: (512) 692-1967

Email: bretfenner@yahoo.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?

9/1/2014

B. Was notice of this increase provided to the Public Utility Commission of Texas (commission or PUC) or a predecessor regulatory authority?

☐

No

☒

Yes- Application/Docket Number: 43010

Date

10/16/2014

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
See Attached List			

Part C – Purchaser or Transferee Information

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 Investors, LLC.

(Individual, Corporation, or Other Legal Entity)

Utility Name: N/A

(If different than above)

Utility Address: 718 Westcott Street Houston, TX 77007

Fax: (713) 526-9810

Email: charlie@gulfutility.net

Telephone (AC): (281) 355-1312

CCN Numbers held prior to the filing of this application: 12252 & 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: 802143247

☐

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

<input type="checkbox"/>	Municipally-owned utility
<input type="checkbox"/>	District (MUD, SUD, WCID, etc.)
<input type="checkbox"/>	County
<input type="checkbox"/>	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 Pappas	Telephone (AC):	(281) 355-1312
Address:	718 Westcott Street Houston, TX 77007		
Position:	Director	Ownership % (if applicable):	0.00%

•Name:	Charlie Gasper	Telephone (AC):	(281) 355-1312
Address:	718 Westcott Street Houston, TX 77007		
Position:	Director	Ownership % (if applicable):	0.00%


•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

•Name:		Telephone (AC):	
Address:			
Position:		Ownership % (if applicable):	0.00%

- 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:

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) 692-1976	Email	bretfenner@yahoo.com
Relationship to the applicant:	None		

- ☛ **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 affiliated operating company Gulf Utility Service, Inc. The applicant is a local company which its affiliates owns and operate 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, the PUC, 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 PUC, 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.

N/A

- 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 PUC 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 the water systems acquired 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 affiliated 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 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, the PUC, as well as federal and local laws, rules and regulations. Since the applicant's affiliated 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 Investors, LLC to purchase the water assets of Northwest Water Systems, Inc. and retain the seller's current water certificated 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 PUC, 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:	\$ 700,000.00
		• Total Original Cost (as recorded on books of seller or merging entity):	\$ 1,896,348.66
		• Accumulated Depreciation as of the proposed effective date of the transaction:	\$ 1,144,311.25
		• Contributions in Aid of Construction:	
		- Specific surcharges approved by TCEQ or PUC:	\$ 0.00
		- Revenues from explicit customer agreements:	\$ 0.00
		- Developer Contributions (please explain):	\$ 84,775.99
		- Other Contributions (please explain):	None
		Total Contributions in Aid of Construction	\$ 84,775.99
		• Net Book Value:	\$ 667,261.42

- ☛ 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.

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 acquiring the current water service areas of Northwest Water Systems, Inc. The applicant is not requesting any additional CCN service area other than those existing service areas of Northwest Water Supply, Inc.

- 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:	\$ 1,896,348.66
Plant Acquisition Adjustment:	
Extraordinary Loss on Purchase:	
Accumulated Depreciation of Plant:	\$ 1,144,311.25
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:

<input checked="" type="checkbox"/>	All the customers will be charged the same rates as they were charged before the transaction.
<input type="checkbox"/>	Some <input type="checkbox"/> 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 result 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:

N/A

☐ Other. Please explain:

N/A

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.

Part D – Historical Financial Information

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						

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				No Historical Information Available		
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						

HISTORICAL EXPENSE DETAIL	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			No Historical Information Available			
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						

Part E – Projected Information

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash	1,000.00	1,000.00	198,683.22	177,560.96	174,560.96	258,237.48
Accounts Receivable						
Inventories		25,757.72	25,757.72	25,757.72	25,757.72	25,757.72
Income Tax Receivable						
Other		15,439.16				
Total	1,000.00	42,196.88	224,440.94	203,318.68	200,318.68	283,995.18
FIXED ASSETS						
Land						
Collection/Distribution System		1,908,319.82	1,920,518.72	1,920,518.72	1,920,518.72	1,920,518.72
Buildings						
Equipment						
Other Less: Contribution of Construction		84,775.99	84,775.99	84,775.99	84,775.99	84,775.99
Less: Accum. Depreciation or Reserves		1,134,466.45	1,183,573.63	1,232,680.81	1,281,787.99	1,330,895.17
Total		639,970.20	590,863.02	541,755.84	492,558.66	443,541.48
TOTAL ASSETS	1,000.00	682,167.08	815,303.96	745,074.52	692,877.34	727,536.66
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other		10,573.64	10,573.64	10,573.64	10,573.64	10,573.64
Total	0.00	10,573.64	10,573.64	10,573.64	10,573.64	10,573.64
LONGTERM LIABILITIES						
Notes Payable, Long-term		0.00	0.00	0.00	0.00	0.00
Other						
TOTAL LIABILITIES	0.00	10,573.64	10,573.64	10,573.64	10,573.64	10,573.64
OWNER'S EQUITY						
Paid in Capital	700,000.00	700,000.00	700,000.00	700,000.00	700,000.00	700,000.00
Retained Equity	-699,000.00	-227,089.78	-72,830.64	-140,060.08	-275,933.78	-241,274.46
Other						
Current Period Profit or Loss	0.00	198,683.22	177,560.96	174,560.96	258,237.48	258,237.48
TOTAL OWNER'S EQUITY	1,000.00	671,000.00	804,730.32	734,500.88	682,303.70	716,963.02
TOTAL LIABILITIES AND EQUITY	1,000.00	682,167.08	815,303.96	745,074.52	692,877.34	727,536.66
WORKING CAPITAL	1,000.00	31,623.24	213,867.30	192,745.04	189,745.04	273,421.54
CURRENT RATIO		3.99	21.23	19.23	18.95	26.86
DEBT TO EQUITY RATIO		0.02	0.01	0.01	0.02	0.01
EQUITY TO TOTAL ASSETS		0.98	0.99	0.99	0.98	0.99

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps	1,221	1,221	1,221	1,221	1,221	
New Taps Per Year	0	0	0	0	0	
Total Meters at Year End	1,221	1,221	1,221	1,221	1,221	
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees	806,765.17	806,765.17	806,765.17	887,441.69	887,441.69	
Other	33,642.65	33,642.65	33,642.65	33,642.65	33,642.65	
Gross Income	840,407.82	840,407.82	840,407.82	921,084.34	921,084.34	
OPERATING EXPENSES						
General & Administrative	84,636.51	83,636.51	86,636.51	83,636.51	83,636.51	
Interest						
Other	557,088.09	579,210.35	579,210.35	579,210.35	579,210.35	
NET INCOME	198,683.22	177,560.96	174,560.96	258,237.48	258,237.48	

PROJECTED EXPENSE DETAIL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	
Office Expense	58,608.00	58,608.00	58,608.00	58,608.00	58,608.00	
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes	18,028.51	18,028.51	18,028.51	18,028.51	18,028.51	
Professional Fees	3,000.00	2,000.00	5,000.00	2,000.00	2,000.00	
Other						
Total	84,636.51	83,636.51	86,636.51	83,636.51	83,636.51	
% Increase Per Year	0.00%	0.00%	3.50%	-3.50%	0.00%	0.00%
OPERATIONAL EXPENSES						
Salaries	219,780.00	219,780.00	219,780.00	219,780.00	219,780.00	
Auto Expense						
Utilities Expense	37,060.84	37,060.84	37,060.84	37,060.84	37,060.84	
Depreciation Expense	49,107.18	49,107.18	49,107.18	49,107.18	49,107.18	
Repair & Maintenance	105,801.97	105,801.97	105,801.97	105,801.97	105,801.97	
Supplies	34,726.80	34,726.80	34,726.80	34,726.80	34,726.80	
Other	110,611.30	132,733.56	132,733.56	132,733.56	132,733.56	
Total	557,088.09	579,210.35	579,210.35	579,210.35	579,210.35	
% Increase Per Year	0.00%	3.80%	0.00%	0.00%	0.00%	0.00%
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	198,683.22	177,560.96	174,560.96	258,237.48	258,237.48	
Depreciation (If Funded)	49,107.18	49,107.18	49,107.18	49,107.18	49,107.18	
Loan Proceeds						
Other						
Total Sources						
USES OF CASH						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve	10,573.64	10,573.64	10,573.64	10,573.64	10,573.64	
Other						
Total Uses						
NET CASH FLOW	139,002.40	117,880.14	114,880.14	198,556.66	198,556.66	
DEBT SERVICE COVERAGE						
Cash Available for Debt	139,002.40	117,880.14	114,880.14	198,556.66	198,556.66	
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						

Part F – TCEQ Public Water or Sewer System Information

Hazy Hollow East Estates

- ☛ 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 7 0 0 0 1 3

Date of last inspection: October 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 or PUC standards?

☐

Yes

☐

No. If yes, please explain:

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 or PUC standards (attach additional sheets if necessary):

Description of the Required Improvement	Schedule to Complete	Estimated Cost
(See Attached Compliance Evaluation Investigation)		

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: 0.00%

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

Water				Sewer	
	-Non Metered		-2"meter	-Residential Connection	
721	-5/8" or 3/4" meter		-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:			721	Total Sewer Connections	

20. 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:

Shady Brook Acres

- ☞ 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	7	0	0	0	3	1
---	---	---	---	---	---	---

Date of last inspection: June 10, 2013

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 or PUC 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.

Spring Creek Valley Estates

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	0	1	0	2	1	3
---	---	---	---	---	---	---

Date of last inspection: July 22, 2013

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 or PUC 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	217	-3" meter	-Commercial Connection	
	-1" meter		-4" meter	-Industrial Connection	
	-1 1/2" meter		-Other	-Other	
Total Water Connections:		217	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:

White Oak Valley Estates

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

Date of last inspection: July 13, 2010

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 or PUC 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	
	-5/8" or 3/4" meter	227	-3" meter	
	-1" meter		-4" meter	
	-1 1/2" meter		-Other	
Total Water Connections:		227	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

Arizona

COUNTY OF

Maricopa

I, Betty Blaschke, 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 Texas Commission on Environmental Quality, the Public Utility Commission of Texas, or Attorney General and have also complied with the notice requirements in Section 13.301(k) of the Texas Water Code.

Betty Blaschke

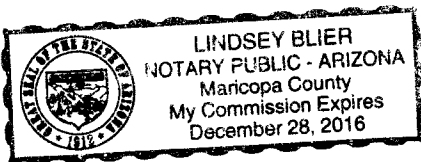
AFFIANT

(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, this
day 9 of January, 20 15.

SEAL



Lindsay Bluer

NOTARY PUBLIC IN AND FOR THE

STATE OF ~~TEXAS~~ Arizona

Lindsay Bluer

PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES

12/28/2016

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

OATH FOR PURCHASER OR ACQUIRING ENTITY

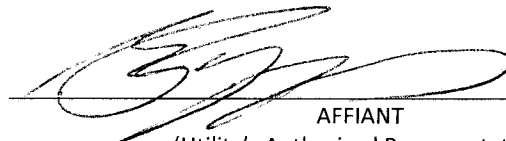
STATE OF Texas

COUNTY OF Harris

I, Gregory Pappas, being duly sworn, file this application for

sale, lease, rental or merger or consolidation as member of Nerro Supply Investors LLC
(**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 Texas Commission on Environmental Quality, the Public Utility Commission of Texas 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.

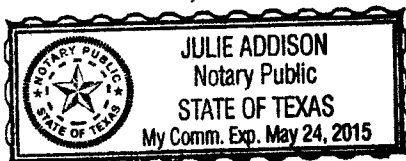

AFFIANT
(Utility's Authorized Representative)

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, this
day 9 of January, 20 15.

SEAL




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

Northwest Water Supply, Inc. * 'S
(Seller's or Transferor's Name)

**NOTICE OF INTENT TO SELL FACILITIES AND TRANSFER CERTIFICATE OF CONVENIENCE AND
NECESSITY (CCN) NO 10336 TO Nerro Supply Investors, LLC.**
(Purchaser's or Transferee's Name)

IN **Harris and Montgomery** COUNTIES, TEXAS

To: _____ Date Notice Mailed _____, 20 **15**
(Name of Customer, Neighboring System, Landowner or City)

(Address)

City

State

Zip

Northwest Water Supply, Inc.	P. O. Box 550	Tomball, Texas 77377
Sellers or Transferors' Name	Address	City/State/Zip Code

has submitted an application with the Public Utility Commission of Texas to sell Facilities and transfer water CCN No. **10336** in **Harris and Montgomery** Counties to:

Nerro Supply Investors, LLC.	718 Westcott Street	Houston, Texas 77007
Purchasers or Transferee's Name	Address	City/State/Zip Code

The sale is scheduled to take place as approved by the Commission (V.T.C.A., Water Code §13.301). The transaction and the transfer of the CCN include the following subdivision(s):

Hazy Hollow East Estates	Spring Creek Valley Estates	White Oak Valley Estates	Shady Brook Acres
PWS #1700013	PWS #1010213	PWS #1700036	PWS #1700031

Hazy Hollow East Estates

The area subject to this transaction is located approximately **19** miles **southwest** [direction] of downtown **Conroe**, [City or Town] Texas, and is **generally** bounded on the north by

Tomball Parkway; on the east by **Hazy Meadow Drive**
; on the south by **FM 1774**; and on the west by **Meadow Edge Drive & Green Tree Road**

The total area being requested includes approximately **1060** acres and serves **721** current customers.

Spring Creek Valley Estates

The area subject to this transaction is located approximately **33** miles **west-northwest** [direction] of downtown **Houston**, [City or Town] Texas, and is **generally** bounded on the north by

Spring Creek; on the east by **Coral Canyon**
; on the south by **Brown Road**; and on the west by **Texas State Highway 249**

The total area being requested includes approximately **270** acres and serves **217** current customers.

White Oak Valley Estates

The area subject to this transaction is located approximately **12** miles **southeast** [direction] of downtown **Conroe**, [City or Town] Texas, and is **generally** bounded on the north by

East West Lane; on the east by **FM 1485**
; on the south by **FM 3083**; and on the west by **FM 3083**

The total area being requested includes approximately **540** acres and serves **227** current customers.

Shady Brook Acres

The area subject to this transaction is located approximately **23** miles **southwest** [direction] of downtown **Conroe**, [City or Town] Texas, and is **generally** bounded on the north by

Old Hockley Road; on the east by **Nichols Sawmill Road**
; on the south by **Country Place Lane**; and on the west by **Mink Branch Creek**

The total area being requested includes approximately **180** acres and serves **56** 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, docket 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 Commission 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 Commission 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:

Filing Clerk
Public Utility Commission of Texas
Utilities and Districts Section, MC-153
P. O. Box 13326,
Austin, TX 78711-3326

**Se desea informacion en Espanol, puede llamar al
1-888-782-8477**

Charlie Gasper * *

Utility Representative

Nerro Supply Investors, LLC. *

Utility Name

Customer Deposit Information

4:08:38PM

DEPOSITS

Northwest Water Systems, Inc.

ACCT #	NAME	DEPOSITS	DATE	DATE REFUND	CERT #	DEPOSIT 2	DATE	DATE REFUND	CERT #	MEMBER
40052805	RUSSELL, JUSTIN	\$50.00	3/16/10			\$0.00			0	
20074512	VALENCIA, ROGELIO	\$50.00	8/2/11			\$0.00			0	
50022205	MIGUEL, DANIEL	\$50.00	8/19/11			\$0.00			0	
52010403	RODRIGUEZ, NICK	\$50.00	2/10/12			\$0.00			0	
10010816	TRUITT, DONNA	\$50.00	3/6/12			\$0.00			0	
60041506	DAHL, KATHY	\$50.00	8/2/12			\$0.00			0	
30085303	ORTUNO, YANELI	\$50.00	9/26/12			\$0.00			0	
30105804	DELAPAZ, AMANDA	\$50.00	10/19/12			\$0.00			0	
50010906	WILLIAMS, CHERYL L.	\$50.00	11/2/12			\$0.00			0	
10010901	AUGUSTINE, MARY	\$50.00	11/12/12			\$0.00			0	
30117517	PRESTON, ELIZABETH	\$50.00	11/30/12			\$0.00			0	
12064307	QUIGLEY, SINEA	\$50.00	12/7/12			\$0.00			0	
10010701	CARVAJAL, OCTAVIO	\$50.00	2/1/13			\$0.00			0	
30108101	RODRIGUEZ, LAURA	\$50.00	2/20/13			\$0.00			0	
70010305	SOLOMON, ALICIA	\$50.00	4/1/13	8/30/11		\$0.00	8/30/11		0	
42052408	METTING, RACHEL	\$50.00	4/4/13			\$0.00			0	
60010413	DELGADO, IDALIA	\$50.00	4/8/13			\$0.00			0	
22042201	KOENIG, JASON	\$50.00	4/10/13			\$0.00			0	
60031301	SALGADO, PABLO	\$50.00	4/11/13			\$0.00			0	
60041704	LANGFORD, JACKIE	\$50.00	4/12/13			\$0.00			0	
10021203	SEGURA, MARIA	\$50.00	4/16/13			\$0.00			0	
60020512	VILLEDA, REYNALDO	\$50.00	4/17/13			\$0.00			0	
72010123	SPEARS, TEDDIE	\$50.00	4/24/13			\$0.00			0	
70009913	AVANT, LISA	\$50.00	4/26/13			\$0.00			0	
30085406	HONG, CHHUN	\$50.00	4/29/13			\$0.00			0	
10010803	CHASE, HEATHER	\$50.00	5/1/13			\$0.00			0	
50021308	VILLAREAL, CHRISTINA	\$50.00	5/7/13			\$0.00			0	
30106004	NAVARRO, MARIA	\$50.00	5/15/13			\$0.00			0	
30105903	COLLINS, JOSHUA	\$50.00	5/24/13			\$0.00			0	
10063506	CALLEJAS, JESSICA	\$50.00	5/24/13			\$0.00			0	
50021503	ALBARRAN, BERTHA	\$50.00	5/29/13			\$0.00			0	
40052702	SHANAHAN, MICHAEL	\$50.00	6/7/13			\$0.00			0	
40053106	STEED, JANICE	\$50.00	6/7/13			\$0.00			0	
40052719	MARTINEZ, BLANCA	\$50.00	6/11/13			\$0.00			0	
60042007	CASTILLO, SILVIA	\$50.00	6/13/13			\$0.00			0	
55041403	NICHOLS, JAYCI	\$50.00	6/14/13			\$0.00			0	
30096810	COCKERHAM, EDITH	\$50.00	6/15/13			\$0.00			0	
50010806	BOYER, WILL & DONNA	\$50.00	6/17/13			\$0.00			0	
30105708	NAGY, BERNARDETTE C	\$50.00	6/19/13			\$0.00			0	
10064020	BATY, RONALD	\$50.00	6/19/13			\$0.00			0	
30117119	MENDEZ, RODOLFO	\$50.00	6/20/13			\$0.00			0	
20074705	MEDINA, AIDE	\$50.00	6/20/13			\$0.00			0	
30108007	MEDINA, NANCY	\$50.00	6/27/13			\$0.00			0	
30117804	AYALA, YURIDA	\$50.00	6/28/13			\$0.00			0	
55010905	COOK, CHRISTOPHER	\$50.00	7/1/13			\$0.00			0	
30085501	MILLER, MICHAEL J.	\$50.00	7/2/13			\$0.00			0	
30108006	SCHLESSMAN, LISA	\$50.00	7/3/13			\$0.00			0	
31108010	TRUITT, TONYA	\$50.00	7/10/13	4/25/12		\$0.00	4/25/12		0	
55241906	WEST, MARTHA	\$50.00	7/11/13			\$0.00			0	
80009912	SMITH, ANGELIA	\$50.00	7/15/13			\$0.00			0	
40052403	HERNANDEZ, MARIA J.	\$50.00	7/15/13			\$0.00			0	
30085902	FLORES, MARIO	\$50.00	7/30/13			\$0.00			0	

4:08:38PM

DEPOSITS

Northwest Water Systems, Inc.

ACCT #	NAME	DEPOSITS	DATE	DATE REFUND	CERT #	DEPOSIT 2	DATE	DATE REFUND	CERT #	MEMBER
10021207	BARNES, ROBERT	\$50.00	8/13/13			\$0.00			0	
10010301	LOPEZ, NANCY	\$50.00	8/14/13			\$0.00			0	
50022101	AMARO, ELVIA	\$50.00	9/9/13			\$0.00			0	
20041502	LOZANO, ROGELIO	\$50.00	9/9/13			\$0.00			0	
10064108	JONES, CHRISTOPHER	\$50.00	9/10/13			\$0.00			0	
30105912	HARDY, ALICIA	\$50.00	9/17/13			\$0.00			0	
72009913	BERRY, JANICE	\$50.00	9/17/13			\$0.00			0	
70010120	WILLIAMS, WILLIAM/MI	\$50.00	9/18/13			\$0.00			0	
10063719	THOMAS, TIFFANI	\$50.00	9/21/13			\$0.00			0	
50011002	DOYLE, JEANETTE	\$50.00	9/30/13			\$0.00			0	
30117113	LAMBERT, MYKA	\$50.00	10/3/13			\$0.00			0	
80009902	ARANDA, FRANCISCA	\$50.00	10/21/13	11/14/11		\$0.00		1/12/06	0	
30086001	RAPP, CHRISTOPHER	\$50.00	10/22/13			\$0.00			0	
40052405	JOHNSON JR., BARTZ	\$50.00	10/23/13			\$0.00			0	
30108201	PUENTE, MARGARITA	\$50.00	10/29/13			\$0.00			0	
20041802	HOEL, JEAN	\$50.00	10/30/13			\$0.00			0	
52021309	TATEM, NANCY	\$50.00	10/30/13			\$0.00			0	
60042307	MORELAND, ROSALIE	\$50.00	10/30/13			\$0.00			0	
52010107	AMARO, VIRGINIA	\$50.00	10/31/13			\$0.00			0	
30108102	HALSELL, AMANDA	\$50.00	10/31/13			\$0.00			0	
60031501	LAUGHLIN, MELISSA	\$50.00	10/31/13			\$0.00			0	
51021207	LEYVA, MIRIAM	\$50.00	11/8/13			\$0.00			0	
55142203	SHOOK, RANDY	\$50.00	11/18/13			\$0.00			0	
30096906	TORRES, MARIA G. .	\$50.00	11/20/13			\$0.00			0	
10010101	PERALTA, JOSE	\$50.00	11/20/13			\$0.00			0	
10031303	LOPEZ, LENNIS	\$50.00	11/26/13			\$0.00			0	
20042002	BECERRA, JOSE	\$50.00	12/4/13			\$0.00			0	
41052408	FLORES, JOSE	\$50.00	12/5/13			\$0.00			0	
30117311	UGALDE, MARIA	\$50.00	12/12/13			\$0.00			0	
30107901	LOPEZ, LEONARDO	\$50.00	12/12/13			\$0.00			0	
20041901	TERRONES, MARIA	\$50.00	12/18/13			\$0.00			0	
20041902	MARTINEZ, ASHLEY	\$50.00	12/18/13			\$0.00			0	
20074408	CURTIS, CORTNEY	\$50.00	12/20/13			\$0.00			0	
30105913	VELA, REBECCA	\$50.00	1/3/14			\$0.00			0	
13018806	LAZCANO, ROSA	\$50.00	1/6/14			\$0.00			0	
50011001	RABIUS, EMILY	\$50.00	1/7/14			\$0.00			0	
60041414	PORTILLO, JOSE	\$50.00	1/9/14			\$0.00			0	
30106003	ALVAREZ, JESUS	\$50.00	1/21/14			\$0.00			0	
60042113	SERRATO, LEONARDO	\$50.00	1/21/14			\$0.00			0	
10010810	TADEO, LUIS	\$50.00	1/30/14			\$0.00			0	
10010510	PATTERSON, JACK	\$50.00	2/4/14			\$0.00			0	
30085605	COLEMAN, MARIE	\$50.00	2/5/14			\$0.00			0	
30117304	BOCANEGRA, IDANIA	\$50.00	2/5/14			\$0.00			0	
60041901	GARCIA, ELIKA	\$50.00	2/6/14			\$0.00			0	
20074807	PEREZ, BRENDA	\$50.00	2/13/14			\$0.00			0	
20041511	GARRETT, DANNY	\$50.00	2/14/14			\$0.00			0	
40052503	MARTINEZ, ALMA	\$50.00	2/14/14			\$0.00			0	
30085603	LACY, CLARENCE	\$50.00	2/17/14			\$0.00			0	
80009925	ROCHA, CLAUDIA	\$50.00	2/18/14			\$0.00			0	
30117916	PACHECO, JESUS	\$50.00	2/20/14			\$0.00			0	
30096907	GARCIA, DEMETRIO	\$50.00	2/20/14			\$0.00			0	
60020122	KEITH, DESIREE	\$50.00	2/20/14			\$0.00			0	

4:08:38PM

DEPOSITS

Northwest Water Systems, Inc.

ACCT #	NAME	DEPOSITS	DATE	DATE REFUND	CERT # DEPOSIT 2	DATE	DATE REFUND	CERT #	MEMBER
20041509	MCCUNE, CAROL	\$50.00	3/3/14		\$0.00			0	
60031408	CASSO, HECTOR	\$50.00	3/4/14		\$0.00			0	
10031305	DILLON, DENNIS/C'YNTI	\$50.00	3/7/14		\$0.00			0	
30117316	DURHAM, CHRISTOPHE	\$50.00	3/12/14		\$0.00			0	
60031003	GARDUNO, JOHNNY	\$50.00	3/13/14		\$0.00			0	
30105808	MORALES, DARIA	\$50.00	3/14/14		\$0.00			0	
10030509	HOMES & MORE	\$50.00	3/20/14		\$0.00			0	
20074615	BARTON, LANEY	\$50.00	3/24/14		\$0.00			0	
10063732	SMITH, CLIFTON	\$50.00	3/24/14		\$0.00			0	
30117218	IBARRA, ERIKA	\$50.00	3/25/14		\$0.00			0	
30117703	CRUZ, ROBERTO	\$50.00	3/26/14		\$0.00			0	
30117707	VEGA, EVERARDO	\$50.00	4/2/14		\$0.00			0	
60041805	SHELTON, CHERYL M	\$50.00	4/4/14		\$0.00			0	
60042205	LAMB, CAROLYN	\$50.00	4/4/14		\$0.00			0	
72009903	HILL, JHONNE	\$50.00	4/7/14		\$0.00			0	
80009929	FELDER, DAVID	\$50.00	4/14/14		\$0.00			0	
10010817	TORRES, MARTHA	\$50.00	4/14/14		\$0.00			0	
10010203	GODINEZ, ALMA	\$50.00	4/16/14		\$0.00			0	
70009905	LANE, MATTHEW	\$50.00	4/21/14		\$0.00			0	
73009903	SCOTT, SARAH	\$50.00	4/22/14		\$0.00			0	
20074513	MARTINEZ, DIANA	\$50.00	4/23/14		\$0.00			0	
50010603	GONZALEZ, MARTIN	\$50.00	4/23/14		\$0.00			0	
60041911	ACKERMAN, CANDICE	\$50.00	4/25/14		\$0.00			0	
60041812	CRUZ, GLORIA	\$50.00	4/25/14		\$0.00			0	
70010304	ANDERSON, DONALD	\$50.00	5/2/14		\$0.00			0	
10064306	VOLQUARDSSEN, COLTE	\$50.00	5/5/14		\$0.00			0	
30117805	RICO, JOSE	\$50.00	5/7/14		\$0.00			0	
60010108	JOHNSON, COY	\$50.00	5/8/14		\$0.00			0	
60020707	MITCHELTREE, MICHEL	\$50.00	5/12/14	12/12/15	\$0.00			0	
50010604	SPERRAZZO, NATILEE	\$50.00	5/16/14		\$0.00			0	
60020119	PRUETT, SUSAN	\$50.00	5/19/14		\$0.00			0	
40052906	CONNER, ALLEN	\$50.00	5/21/14		\$0.00			0	
70010401	REGISTER, AARON	\$50.00	5/21/14		\$0.00			0	
55041405	SANCHEZ, SAID	\$50.00	5/28/14		\$0.00			0	
30117515	MARQUEZ, MARIA	\$50.00	6/2/14		\$0.00			0	
50011202	GARCIA, JAIRO	\$50.00	6/2/14		\$0.00			0	
20074411	HICKEY, DENA	\$50.00	6/3/14		\$0.00			0	
55041906	MORTON, TABATHA	\$50.00	6/4/14		\$0.00			0	
10064315	HAGUE, DAVID	\$50.00	6/11/14		\$0.00			0	
10064006	ISHMAEL, DUDLEY	\$50.00	6/11/14		\$0.00			0	
16010403	CHAVEZ, REYNA	\$50.00	6/16/14		\$0.00			0	
30117906	WESSEL, MATTHEW	\$50.00	6/16/14		\$0.00			0	
60010101	DELAY, NICOLE	\$50.00	6/17/14		\$0.00			0	
50010809	HARRINGTON, BONITA	\$50.00	6/18/14		\$0.00			0	
10010820	CHAPIN, DIANA	\$50.00	6/19/14	3/25/13	\$0.00		3/25/13	0	
30096401	PASSMORE, REBECCA	\$50.00	6/19/14		\$0.00			0	
60031402	RIDINGS, BOBBY	\$50.00	6/24/14		\$0.00			0	
55031102	ORTIZ, JUAN	\$50.00	6/26/14		\$0.00			0	
60030801	MALDONADO, FRANCO	\$50.00	6/26/14		\$0.00			0	
30117607	BELL, PAUL	\$50.00	7/3/14		\$0.00			0	
40053002	GREGORY, WENDY	\$50.00	7/3/14		\$0.00			0	
61031413	CHENAULT, EVALEE	\$50.00	7/9/14	8/29/12	\$0.00		8/29/12	0	

4:08:38PM

DEPOSITS

Northwest Water Systems, Inc.

ACCT #	NAME	DEPOSITS	DATE	DATE REFUND	CERT #	DEPOSIT 2	DATE	DATE REFUND	CERT #	MEMBER
20074506	GODINEZ, JOSE LUIS	\$50.00	7/9/14			\$0.00			0	
55141905	JACKSON, CODY	\$50.00	7/9/14			\$0.00			0	
30108009	GUERRERO, ISRAEL	\$50.00	7/11/14	8/29/06		\$0.00	8/29/06		0	
10031304	CAMARILLO, RAMON	\$50.00	7/14/14			\$0.00			0	
30105908	RHODES, CECIL	\$50.00	7/14/14			\$0.00			0	
73009913	DORMAN, KIMBERLY	\$50.00	7/14/14			\$0.00			0	
30108005	REYNA, ALEJANDRO	\$50.00	7/17/14			\$0.00			0	
30096610	STANLEY, RENEE	\$50.00	7/18/14			\$0.00			0	
40052717	RUSSELL, JACQUELYN	\$50.00	7/22/14			\$0.00			0	
30117406	CHADICK, STEPHEN	\$50.00	7/24/14			\$0.00			0	
10010201	NUNEZ, MARIA	\$50.00	7/24/14			\$0.00			0	
10010902	ROBINSON, FRAN	\$50.00	7/30/14			\$0.00			0	
30117510	DAWSON, RACHEL	\$50.00	7/30/14			\$0.00			0	
55241403	BARBER, CHRISTINA	\$50.00	8/1/14			\$0.00			0	
30117210	MENDEZ, JESSICA	\$50.00	8/5/14			\$0.00			0	
60041509	FLOURNOY, MYRA	\$50.00	8/7/14			\$0.00			0	
50021210	ARAKACHI, ONTONIEL	\$50.00	8/7/14			\$0.00			0	
50010503	SELMAN, JOANNE	\$50.00	8/7/14			\$0.00			0	
30117317	JOHNSON, SCOTT	\$50.00	8/13/14			\$0.00			0	
60010113	MOORE, CHLOE	\$50.00	8/13/14			\$0.00			0	
55030704	BUTTERFRAS, NOLAN	\$50.00	8/13/14			\$0.00			0	
55030606	PEREZ, DARLENE	\$50.00	8/14/14			\$0.00			0	
20074817	SANTACRUZ, MIREYA	\$50.00	8/14/14			\$0.00			0	
20074410	GARCIA, LESLIE	\$50.00	8/15/14			\$0.00			0	
70010114	MORALES, ROSA IVAN	\$50.00	8/15/14			\$0.00			0	
52021310	YOUNGBLOOD, NICHOL	\$50.00	8/18/14			\$0.00			0	
30102102	ZAMORA, SAMUEL	\$50.00	8/29/14			\$0.00			0	
20074716	TEXAS SELECT INVEST	\$50.00	9/3/14			\$0.00			0	
10063731	RILEY, WENDY	\$50.00	9/8/14			\$0.00			0	
30117420	SOLIS, SANDRA	\$50.00	9/9/14			\$0.00			0	
11063708	JOHNSON SR., BARTZ	\$50.00	9/10/14			\$0.00			0	
30106220	DEE, WENDY	\$50.00	9/10/14			\$0.00			0	
30097201	BALDWIN, SHAWN	\$50.00	9/10/14			\$0.00			0	
50022202	DELATTE, TOBY	\$50.00	9/10/14			\$0.00			0	
12063708	JOHNSON SR., BARTZ	\$50.00	9/11/14			\$0.00			0	
71009903	ANDERSON, DAVID	\$50.00	9/12/14			\$0.00			0	
60031001	CAMMACK, AMBER	\$50.00	9/19/14			\$0.00			0	
10064011	WHITE, JOSHUA	\$50.00	9/19/14			\$0.00			0	
32108203	GUTIERREZ, RUBEN	\$50.00	9/22/14			\$0.00			0	
30105705	SILVA, AURORA	\$50.00	9/22/14			\$0.00			0	
60041808	MILLER, JENNIFER	\$50.00	9/26/14			\$0.00			0	
51021310	HARTMAN, KAYLEE	\$50.00	10/2/14			\$0.00			0	
65030703	MEYERS, JUSTIN	\$50.00	10/4/14			\$0.00			0	
30117109	RAMIREZ, CECILIO	\$50.00	10/6/14			\$0.00			0	
31117709	RUIZ, ANGEL	\$50.00	10/7/14	12/29/06		\$0.00	12/29/06		0	
60030903	HERNANDEZ, YADIRA	\$50.00	10/10/14			\$0.00			0	
30117212	SEGOVIA, JOSE	\$50.00	10/10/14			\$0.00			0	
50010502	BLAZEK, HEATH & JAM	\$50.00	10/13/14			\$0.00			0	
30108207	NEVAREZ JR., ARNOLD	\$50.00	10/16/14			\$0.00			0	
32108010	WELLS JR., JASON	\$50.00	10/23/14			\$0.00			0	
30096404	DUNCAN, JOHN	\$50.00	10/23/14			\$0.00			0	
60031302	SALVADOR, GERARDO	\$50.00	10/24/14			\$0.00			0	

Monday, November 3, 2014

Page 5 of 5

4:08:38PM

DEPOSITS

Northwest Water Systems, Inc.

ACCT #	NAME	DEPOSITS	DATE	DATE REFUND	CERT #	DEPOSIT 2	DATE	DATE REFUND	CERT #	MEMBER
10063907	YANEZ, FRANCISCO	\$50.00	10/29/14			\$0.00			0	
60010110	SAWYER, BRIAN	\$50.00	11/3/14			\$0.00			0	

210 Accounts listed

Total amount of Deposit 1: \$10,500.00

Total amount of Deposit 2: \$0.00

Rate Code < 2

Northwest Water Systems

Certificate of Account Status



Office of the Secretary of State

CERTIFICATE OF FILING OF

Nerro Supply Investors, LLC
File Number: 802143247

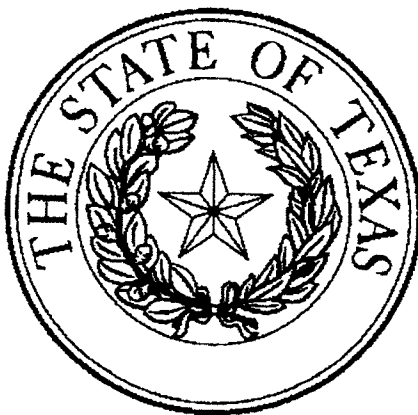
The undersigned, as Secretary of State of Texas, hereby certifies that a Certificate of Formation for the above named Domestic Limited Liability Company (LLC) has been received in this office and has been found to conform to the applicable provisions of law.

ACCORDINGLY, the undersigned, as Secretary of State, and by virtue of the authority vested in the secretary by law, hereby issues this certificate evidencing filing effective on the date shown below.

The issuance of this certificate does not authorize the use of a name in this state in violation of the rights of another under the federal Trademark Act of 1946, the Texas trademark law, the Assumed Business or Professional Name Act, or the common law.

Dated: 01/26/2015

Effective: 01/26/2015



A handwritten signature in cursive script that reads "Coby Shorter III".

Coby Shorter, III
Deputy Secretary of State

Contract of Sale

CONTRACT OF SALE

THIS CONTRACT OF SALE this ("Agreement") is entered into as of May ____, 2014 by and between NORTHWEST WATER SYSTEMS, INC., a Texas corporation, having offices at 29826 Kingbird, P.O. Box 550, Tomball, Texas 77377 ("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 Tomball and Conroe, Texas operated under CCN 10336 (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 Properties.

- i) Water customer deposits are to be transferred to Buyer at closing. The deposits are currently maintained in a money market account at Regions Bank (account number ending in 1422). All such deposits, together with the account ledgers indicating amounts held for specified customers, will be transferred to Buyer at Closing. All amounts in such bank account over and above the deposits will remain the property of Seller. Buyer will send notice letters to each customer acknowledging receipt of their respective deposits.
- ii) Notwithstanding anything to the contrary in this Agreement, the Assets shall not include cash or bank deposit accounts (other than customer utility deposits), reimbursements for terminated insurance policies, or accounts receivable for the month prior to Closing.

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 (including charges associated with maintaining the telephone number and any yellow pages advertising) 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 written final approval of Buyer's Sale, Transfer or Merger Application ("STM Application") by

the Texas Commission on Environmental Quality ("TCEQ"), It shall be a condition of this Agreement that Buyer shall diligently pursue approval of its 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 Seven Hundred Thousand Dollars (\$700,000.00) to be paid as follows:

- i) *Earnest Money:* Buyer shall deposit with Escrow Agent the sum of \$7,000.00 upon 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 Allocation. \$80,000.00 of the Purchase Price shall be allocated to the real property (including easements); \$25,000.00 shall be allocated to the improvements; \$530,000.00 shall be allocated to the water system personal property; \$15,000 shall be allocated to vehicles, tools and other equipment being sold; and \$50,000.00 shall be allocated to the Certificate of Convenience and Necessity. Seller and Buyer each agrees to cause to be filed with the Internal Revenue Service (the "IRS") a Form 8594 pursuant to Section 1060 of the Internal Revenue Code consistent with the foregoing allocations and reflecting the foregoing allocations on their books and records and in any other filings or reports made with the IRS and any applicable taxing authority. Each party shall deliver to the other party a copy of its IRS form 8594 as filed with the IRS, promptly upon request. Provisions of this Section 1.5 will survive the closing of this transaction.

Section 1.6 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).

Section 1.7 Employees. Buyer agrees to offer employment at equivalent compensation to employees Saulo Perez, Rito Villanueva and Jerry Randolph, for a period of at least six (6) months, subject to our standard background check inclusive of alcohol, driving, drug, etc. tests. Insurance and 401K plans will also be offered along with standard vacation packages to these long time dependable employees of Seller. Buyer further agrees to cooperate with Seller to assure that Seller's existing employees are not made aware of the sale contemplated by this Agreement.

EARNEST MONEY AND DUE DILIGENCE

Section 2.1 Earnest Money. Earnest Money in the amount of \$7,000.00 is to be deposited with Chris Underbrink at Alamo Title Company ("**Escrow Agent**"), 1800 Bering, Ste. 150, Houston, Texas 77057. 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, it shall obtain such updated survey within ten (10) days following its receipt of Seller's existing 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 Purchase Price, 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 sixty (60) 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 (other than 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 will make available to Buyer for review certain due diligence materials concerning the Assets to the extent they are in Seller's possession, 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 surveys;
- 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;
- 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, 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.

Section 3.2 Authority of Buyer. Buyer is duly organized, validly existing and in good standing under the laws of the State of Texas, and Buyer has all requisite legal power and authority to enter into, execute and deliver this Agreement and to perform the obligations to be performed by Buyer hereunder and thereunder, respectively. The execution, delivery and compliance by Buyer with the terms of this Agreement and the documents contemplated hereby to be executed by Seller and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all necessary legal action by Buyer. This Agreement has been duly executed and delivered by Buyer and this Agreement constitutes, and the documents contemplated hereby to be executed by Buyer upon their execution and delivery as herein provided will constitute, the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms.

Section 3.3 No Conflicts. The execution and delivery of this Agreement do not, and compliance by Buyer with the terms hereof and consummation by Buyer of the transaction contemplated hereby will not, violate or conflict with any existing term or provision of any law, statute, ordinance, rule, regulation, order, writ, judgment, injunction or decree applicable to Buyer or conflict with or result in a breach of or default under any of the terms, conditions or provisions of any agreement or instrument to which a Buyer is a party or otherwise subject.

ARTICLE 4 NOTICES

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly received, if so given) by facsimile transmission, personal delivery or reliable overnight courier service such as UPS or Federal Express for delivery on the next business morning, to the parties at the following addresses, with copies by email as provided below:

If to Buyer, to:

NERRO SUPPLY, LLC
do BlackSwan Water Resources, LLC
718 Westcott Street
Houston, TX 77007
Attn: Gregory Pappas
Phone: (713) 526-9810
Email: ~~pappas@blackswanrep.com~~

With a copy to:

^{pappas}
Hughes Arrell Kinchen LLP
Norfolk Tower
2211 Norfolk, Suite 1110
Houston, TX 77098
Attn: Greg Arrell
Fax: (713) 942-2266
Email: ~~garrel10@hakllp.com~~ garrell@hakllp.com

If to Seller, to:

NORTHWEST WATER SYSTEMS, INC.
21561 E. Pummelos Rd.

Queen Creek, AZ 85142
Attn: Ms. Betty Blaschke
Fax:
Email: srodder3339@sbcglobal.net

With a copy to:

Anthony Sortino, Attorney at Law
Fax: 281-351-5516
Email: sortino@cdstexas.com

Any party from time to time may change its address for the purpose of notices to that party by giving a similar notice specifying a new address, but no such notice shall be deemed to have been given until it is actually received by the party sought to be charged with the contents.

ARTICLE 5 DEFAULTS; CLOSING CONDITIONS

Section 5.1 Remedies for Default. (a) If Buyer defaults on its obligation to purchase the Assets hereunder, Seller's sole remedy shall be to retain the Earnest Money as liquidated damages, it being agreed that Seller's damages in case of Buyer's default might be impossible to ascertain and that the Earnest Money constitutes a fair and reasonable amount of damages under the circumstances and is not a penalty.

(b) If Seller defaults on its obligation to purchase the Assets hereunder, Buyer shall have as its sole and exclusive remedies, the right to terminate this Agreement and have its earnest money returned, or the right to specific performance.

Section 6.2 Conditions to Closing. All of Seller's obligations hereunder are expressly conditioned upon Buyer having performed, observed and complied with all material covenants, agreements, and conditions required of this Agreement to be performed, observed and complied with on its part prior to or as of the Purchase Closing hereunder, and upon Buyer's representations and warranties set forth herein being true and accurate in all material respects as of the date of Purchase Closing. All of Buyer's obligations hereunder are expressly conditioned upon Seller having performed, observed and complied with all material covenants, agreements, and conditions required of this Agreement to be performed, observed and complied with on its part prior to or as of the Purchase Closing hereunder, and upon Seller's representations and warranties set forth herein being true and accurate in all material respects as of the date of Purchase Closing. In the event any condition to Seller's obligation to proceed with the Closing is not satisfied, Seller may elect to terminate this Agreement, at Seller's option, in which case the Earnest Money shall be immediately returned to Buyer. In the event any condition to Buyer's obligation to proceed with the Closing is not satisfied, Buyer may elect to terminate this Agreement, at Buyer's option, in which case the Earnest Money shall be immediately returned to Buyer.

ARTICLE 6
MISCELLANEOUS

Section 6.1 Incorporation of Schedules and Appendices; Entire Agreement. The appendices and schedules attached hereto are an integral part of this Agreement and are incorporated herein by this reference and the specific references thereto contained herein. This Agreement supersedes all prior discussions and agreements among the parties with respect to the subject matter of this Agreement, and this Agreement, including the appendices and schedules to be delivered in connection herewith, contains the sole and entire agreement among the parties hereto with respect to the subject matter hereof.

Section 6.2 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof; such waiver shall be in writing and shall be executed by the chairman, president or a vice president of each of the parties, as applicable. A waiver on one occasion shall not be deemed to be a waiver of the same or any other matter on a future occasion.

Section 6.3 Amendment. This Agreement may be modified or amended only by a writing duly executed by or on behalf of all the parties hereto.

Section 6.4 Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

Section 6.5 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 6.6 Governing Law. his Agreement and all rights and obligations hereunder, including matters of construction, validity and performance shall be governed by the laws of the State of Texas without giving effect to the principles of conflicts of laws thereof

Section 6.7 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; *provided, however*, that this Agreement or any right or part hereunder shall not be voluntarily assigned by either party hereto without the prior written consent of the other party hereto.

Section 6.8 Further Assurances. Seller, on the one hand, and Buyer, on the other hand, at any time after the Closing Date, will promptly execute, acknowledge and deliver any further deeds, assignments, conveyances and other assurances, documents and instruments of transfer, reasonably requested by the other parties and necessary to comply with the representations, warranties and covenants contained herein and will take any action consistent with the terms of this Agreement that may reasonably be requested by the other parties for the purpose of assigning, transferring, granting, conveying, vesting and confirming ownership in or to Buyer, or reducing to Buyer's possession, any or all of the Assets and the Assumed Contracts.

Section 6.9 Exclusivity of Remedies. The parties hereto have voluntarily agreed to define their rights, liabilities and obligations respecting the subject matter of this Agreement exclusively in contract pursuant to the express terms and provisions of this Agreement.

Contract of Sale

Furthermore, the parties each hereby acknowledge that this Agreement embodies the justifiable expectations of sophisticated parties derived from arm's length negotiations; and all parties to this Agreement specifically acknowledge that no party has any special relationship with another party that would justify any expectations beyond that of any ordinary buyer and an ordinary seller in an arm's length transaction.

Section 6.10 Effective Date. The Effective Date of this Agreement shall be the date a fully executed copy hereof is received by the Title Seller.

Section 6.11 Assignment. Buyer may assign its interest in this Agreement to any entity in which Buyer (or an affiliate thereof) owns an equity interest. As used in this section, "affiliate" shall mean any entity controlling, controlled by, or under common control with Buyer.

Section 6.12 Condemnation. If at any time prior to the date of Purchase Closing greater than 5% of the area of the Property is condemned or taken (or threatened in writing to be condemned or taken) by eminent domain proceeding by any public authority, then at Buyer's option, which must be exercised in writing within five (5) business days after notice of such taking or threatened taking (and Seller shall be obligated to promptly deliver such notice), this Agreement shall terminate, and the Earnest Money shall be refunded to Buyer, and except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder. If (a) Buyer elects not to terminate this Agreement, and the Property had a condemnation action with respect to 5% or greater of its respective area, or (b) if less than 5% of the area of the Property is affected, the parties shall proceed to the Purchase Closing without a reduction in the Purchase Price and all condemnation proceeds paid or payable to Seller shall belong to Buyer and shall be paid over and assigned to Buyer at Closing.

Section 6.13 Damage and Destruction. If, at any time prior to the date of Purchase Closing, a material portion of the Property is destroyed or damaged as a result of fire or any other casualty, then at Buyer's option which must be exercised in writing within five (5) business days after notice of such damage or destruction (and Seller shall be obligated to promptly deliver such notice), this Agreement shall terminate, the Earnest Money shall be returned to Buyer, and except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder. For purposes hereof, the term "material" shall be deemed to be either (i) a damage or destruction in excess of \$50,000.00 or (ii) any damage or destruction which is not covered by Seller's insurance (other than Seller's reasonable deductible), unless Seller agrees to pay for such uninsured damage. If less than a material portion of the Property is damaged or destroyed, or if a material portion of the Property is damaged or destroyed and Buyer elects not to terminate this Agreement, the parties shall proceed to the Closing without reduction in the Purchase Price other than by the amount of the deductible under Seller's insurance policy and all insurance proceeds paid or payable to Seller shall belong to Buyer and shall be paid over and assigned to Buyer when available.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

SELLER:

NORTHWEST WATER SYSTEMS, INC., a Texas corporation

By: _____

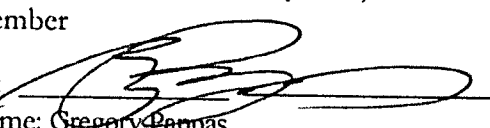
Name: Betty Blaschke

Title: President

BUYER:

NERRO SUPPLY, LLC, a Texas limited liability company

By: BlackSwan Water Resources, LLC, Its Member

By:  _____

Name: Gregory Pappas

Title: Chairman

A fully executed copy of this Agreement has been received by the undersigned on this _____ day of _____, 2014 (the "Effective Date").

ALAMO TITLE COMPANY, a Texas corporation

By: _____

Name: Chris Underbrink

Title: Vice President