

Contract of Sale

SELLER:

NORTHWEST WATER SYSTEMS, INC., a Texas corporation

By: Betty Blaschke

Name: Betty Blaschke

Title: President

BUYER:

NERRO SUPPLY, LLC, a Texas limited liability company

By: BlackSwan Water Resources, LLC, Its Member

By: Gregory Pappas

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

Schedule 1.1

(List of Assets; Legal Description of Property)

| System Name | TCEQ PWS ID # | County |
|---------------------------------|----------------------|-------------------|
| Hazy Hollow East Estates | 1700013 | Montgomery |
| White Oak Valley Estates | 1700036 | Montgomery |
| Shady Brooke Acres | 1700031 | Montgomery |
| Spring Creek Valley | 1010213 | Harris |

Contract of Sale

Exhibit B

Special Warranty Deed

RECORD & RETURN TO
NERRO SUPPLY, LLC

718 Westcott Street
Houston, Tx 77007

NOTICE OF CONFIDENTIALITY RIGHTS: W YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED

NORTHWEST WATER SYSTEMS, INC., a Texas corporation ("Grantor"), in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) and other good and valuable consideration in hand paid by NERRO SUPPLY, LLC, a Texas limited liability company ("Grantee"), the receipt and sufficiency of which are hereby acknowledged, hereby GRANTS, BARGAINS, SELLS and CONVEYS unto Grantee the real property located in Walker County, Texas, which is more particularly described on Exhibit "A-1" attached hereto and made a part hereof, together with all and singular, all of Grantor's right, title and interest in and to any and all rights, benefits, privileges, easements, tenements, and appurtenances thereon, and together with all of Grantor's right, title and interest in and to the structures, fixtures and improvements, located thereunder and thereon (collectively called the "Property"), subject to, however, those matters set forth in Exhibit "B-1" attached hereto and made a part hereof to the extent valid, in existence and affecting the Property (said exceptions being called the "Permitted Exceptions").

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging unto Grantee, its successors, legal representatives and assigns forever. Grantor does hereby bind itself, and its legal representatives and successors to WARRANT AND FOREVER DEFEND all and singular the Property unto Grantee, its successors, legal representatives and assigns, against every person whomever lawfully claiming or to claim the same or any part thereof, by or under Grantor, but not otherwise, and subject to the Permitted Exceptions.

Contract of Sale

IN WITNESS WHEREOF, Grantor has executed this deed to be effective as of the _____ day of _____, 2014.

GRANTOR:

NORTHWEST WATER SYSTEMS, INC., a Texas corporation

By: _____

Name: Betty Blaschke

Title: President

STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on _____, 2014, by Betty Blaschke, the President of NORTHWEST WATER SYSTEMS, INC., a Texas corporation, on behalf of said corporation.

Notary Public in and for
the State of _____

Printed Name of Notary

My Commission Expires: _____

Attachments:

Exhibit "A" - Legal Description

Exhibit "B" - Permitted Exceptions

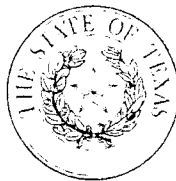
**List of Neighboring Water and/or
Sewer Utilities, Cities and Political
Subdivisions within 2 Miles**

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

1. CCN No. 13203 - Aqua Texas Inc.
2. CCN No. 11612 & 20952 - Quadvest LP
3. CCN No. 10342 & 20734 - H-M-W SUD
4. CCN No. 11768 - Pinehurst Decker Prairie
5. CCN No. 12892 - T&W Water Service Co.
6. CCN No. 13061 & 20964 - South Central Water Co.
7. CCN No. 12529 - Woodland Lakes WSC
8. CCN No. 11466 - City of Magnolia
9. CCN No. 11373 & 20782 - Crystal Springs Water Co., Inc.
10. CCN No. 10347 - Consumers Water, Inc.
11. CCN No. 12788 - Johnston Water Utility, LLC.
12. Montgomery County, Texas
13. Harris County, Texas
14. City of Tomball
15. City of Houston
16. San Jacinto River Authority
17. Lone Star Groundwater Conservation District
18. North Harris County Regional Water Authority

Compliance Evaluation Investigations

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



NSI 1700013 ICO

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 10, 2012

Ms. Betty Blaschke, President
Northwest Water Systems, Inc.
PO Box 550
Tomball, Texas 77377-0550

Re: Notice of Violation for the Compliance Evaluation Investigation at:
Hazy Hollow East Estates, 37103 Fawn Lane, Magnolia, Montgomery, County
Regulated Entity No.: 101196657, TCEQ ID No.: 1700013, Investigation No.: 1040949

Dear Ms. Blaschke:

On October 16, 2012, Ms. Maggie Wright of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for Public Water Supply. Enclosed is a summary which lists the investigation findings. During the investigation, some concerns were noted which were alleged noncompliances that have been resolved based on subsequent corrective action.

The TCEQ appreciates your assistance in this matter. If you or members of your staff have any questions, please feel free to contact Ms. Maggie Wright in the Houston Region Office at 713/767-3650.

Sincerely,

A handwritten signature in cursive script that reads "Leticia DeLeon".

Leticia DeLeon, PWS Team Leader
Houston Region Office

LD/ MW/ra

cc: Montgomery County Environmental Health Services

Enclosures: Summary of Investigation Findings

RECEIVED
APR 12 2013
TCEQ
CENTRAL FILE ROOM

Summary of Investigation Findings

HAZY HOLLOW EAST ESTATES

Investigation #

1040949
Investigation Date: 10/16/2012

, MONTGOMERY COUNTY,

Additional ID(s): 1700013

ALLEGED VIOLATION(S) NOTED AND RESOLVED ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 480428

30 TAC Chapter 290.46(m)(1)(A)

Alleged Violation:

Investigation: 1040949

Comment Date: 10/17/2012

Design and Construction of Storage Tanks

Failure to conduct an inspection of the ground tanks at least annually, to determine that the vents are in place and properly screened, the roof hatches closed and locked, flap valves and gaskets provide adequate protection against insects, rodents, and other vermin, and that the interior and exterior coating systems are continuing to provide adequate protection to all metal surfaces, and that the tank remains in a watertight condition.

At the time of the inspection, the office manager did not provide copies of the last ground storage tank's interior inspection report.

Recommended Corrective Action: Submit a copies of the last interior ground storage tank's inspection reports to verify compliance.

Resolution: Copies of the ground storage tank inspection reports were submitted by fax on 10/22/2012.

Track No: 480430

30 TAC Chapter 290.46(m)(1)(B)

Alleged Violation:

Investigation: 1040949

Comment Date: 10/17/2012

Design and Construction of Pressure Tanks

Failure to conduct an inspection of the pressure tanks annually, to determine that the pressure release device and pressure gauge are working properly, the air-water ratio is being maintained at the proper level, the exterior coating systems are continuing to provide adequate protection to all metal surfaces, and that the tank remains in a watertight condition. Pressure tanks provided with an inspection port must have the interior surface inspected every five years.

At the time of the inspection, the office manager did not provide copies of the last interior pressure tank's inspection report.

Recommended Corrective Action: Submit copies of the last interior pressure tank's inspection reports to verify compliance.

Resolution: Copies of the pressure tank inspection reports were submitted on 10/22/2012 by fax.

Track No: 480432

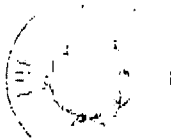
30 TAC Chapter 290.46(s)(1)

Alleged Violation:

Investigation: 1040949

Comment Date: 10/17/2012

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



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

September 5, 2013

Ms. Betty Blaschke, President
Northwest Water Systems, Inc.
PO Box 550
Tomball, Texas 77377-0550

Re: Comprehensive Compliance Investigation at:
Shady Brook Acres, 29819 Nichols Sawmill Road, Magnolia, Montgomery Co., Texas
Regulated Entity No. 101247088, TCEQ ID No. 1700031 Investigation No. 1103142

Dear Ms. Blaschke:

On July 10, 2013, Mr. Sune Nantah of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced facility to evaluate compliance with the applicable requirements for public water supply systems. No violations are being alleged as a result of the investigation. In addition, please be advised that a violation could be issued upon further review of your system's records or self-reported documentation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Sune Nantah in the Houston Region Office at (713)767-3650.

Sincerely,

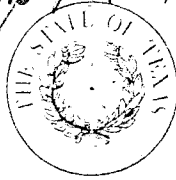
A handwritten signature in cursive script, reading "Leticia De Leon", is positioned above the typed name and title.

Leticia De Leon, Team Leader
Public Water Supply
Houston Region Office

LD/SN/ra

cc: Montgomery County Environmental Health Services

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



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

September 10, 2013

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NOV 01 2013

TCEQ
CENTRAL FILE ROOM

Ms. Betty Blaschke, President
Northwest Water Systems, Inc.
PO Box 550
Tomball, Texas 77377-0550

Re: Notice of Compliance with Notice of Violation (NOV) dated May 7, 2013:
Spring Creek Valley Estates, 29826 Kingbird Dr., Tomball, Harris County, Texas
Regulated Entity No.:101450674, TCEQ ID No.1010213, Investigation No.1109932

Dear Ms. Blaschke:

On July 22, 2013, the Texas Commission on Environmental Quality (TCEQ) Houston Region Office received adequate compliance documentation to resolve the alleged violations documented during the investigation of the above-referenced regulated entity conducted on April 23, 2013. Please see the attached Additional Issue.

The Texas Commission on Environmental Quality appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions, please feel free to contact Ms. Dawn Olivo in the Houston Region Office at (713)767-3650.

Sincerely,

Leticia De Leon, Team Leader
Public Water Supply
Houston Region Office

LD/DBO/ra

Enclosure: *Summary of Investigation Findings*

cc: Harris County Public Health and Environmental Services

SPRING CREEK VALLEY ESTATES

Investigation #

1109932

Investigation Date: 08/08/2013

, HARRIS COUNTY,

Additional ID(s): 1010213

ALLEGED VIOLATION(S) NOTED AND RESOLVED

Track No: 500118

30 TAC Chapter 290.46(m)(1)(A)

Alleged Violation:

Investigation: 1086268

Comment Date: 05/02/2013

Design and Construction of Storage Tanks

Failure to conduct an interior inspection of both ground storage tanks at least annually to determine the interior coating systems are continuing to provide adequate protection to all metal surfaces, and that the tank remains in a watertight condition.

At the time of the inspection, the ground storage tank had only had the exterior of the tank inspected. Please note, an interior inspection of both ground storage tanks is required at least annually, as well as the exterior. Please note, the top portion of the tank inspection form is for the exterior tank inspection. The bottom portion of the form is for the interior tank inspection.

Investigation: 1109932

Comment Date: 08/07/2013

Design and Construction of Storage Tanks

Failure to conduct an interior inspection of both ground storage tanks at least annually to determine the interior coating systems are continuing to provide adequate protection to all metal surfaces, and that the tank remains in a watertight condition.

At the time of the inspection, the ground storage tank had only had the exterior of the tank inspected. Please note, an interior inspection of both ground storage tanks is required at least annually, as well as the exterior. Please note, the top portion of the tank inspection form is for the exterior tank inspection. The bottom portion of the form is for the interior tank inspection.

Recommended Corrective Action: Conduct an interior tank inspection for both ground storage tanks and submit tank inspection forms to verify compliance.

Resolution: On July 22, 2013, a Ground Storage Tank Inspection Report for both tanks was submitted, via mail, by Northwest Water Systems' President, Ms. Betty Blaschke.

Track No: 500121

30 TAC Chapter 290.46(m)(1)(B)

Alleged Violation:

Investigation: 1086268

Comment Date: 04/30/2013

Design and Construction of Pressure Tanks

Pressure tanks provided with an inspection port must have the interior surface inspected every five years.

At the time of the inspection, the regulated entity had not inspected the interior of both pressure tanks.

Investigation: 1109932

Comment Date: 08/07/2013

Design and Construction of Pressure Tanks

Pressure tanks provided with an inspection port must have the interior surface inspected

every five years.

At the time of the inspection, the regulated entity had not inspected the interior of both pressure tanks.

Recommended Corrective Action: Conduct an interior inspection of both pressure tanks and submit completed tank inspection forms to verify compliance.

Resolution: On July 22, 2013, a Pressure Tank Inspection Report was submitted, via mail, by Northwest Water Systems' President, Ms. Betty Blaschke.

ADDITIONAL ISSUES

Description

Item 3

Additional Comments

Please note both ground storage tanks have maintenance issues noted on the most recent tank inspection reports signed and dated on July 9, 2013. More specifically, the "internal condition of the tanks are in immediate need of repair." There are also notes of "isolated pitting areas" on the tanks due to the cathodic protection system not working properly.

Please repair or replace tanks as needed to remain compliant.

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*

PWSI/1700036 ICO

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

September 17, 2010

Ms. Betty Blaschke, President
Northwest Water Systems, Inc.
P.O. Box 550
Tomball, Texas 77377-0550

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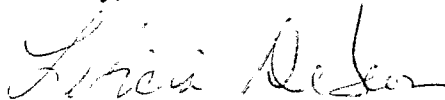
Re: Comprehensive Compliance Investigation at:
White Oak Valley Estates, 3052 Leafy Lane, Conroe, Montgomery County, Texas
TCEQ ID No. 1700036, Investigation No. 850710

Dear Ms. Blaschke:

On July 13, 2010, Ms. Stacy Marhofer of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced facility to evaluate compliance with the applicable requirements for public water supply systems. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Stacy Marhofer in the Houston Region Office at 713-767-3650.

Sincerely,



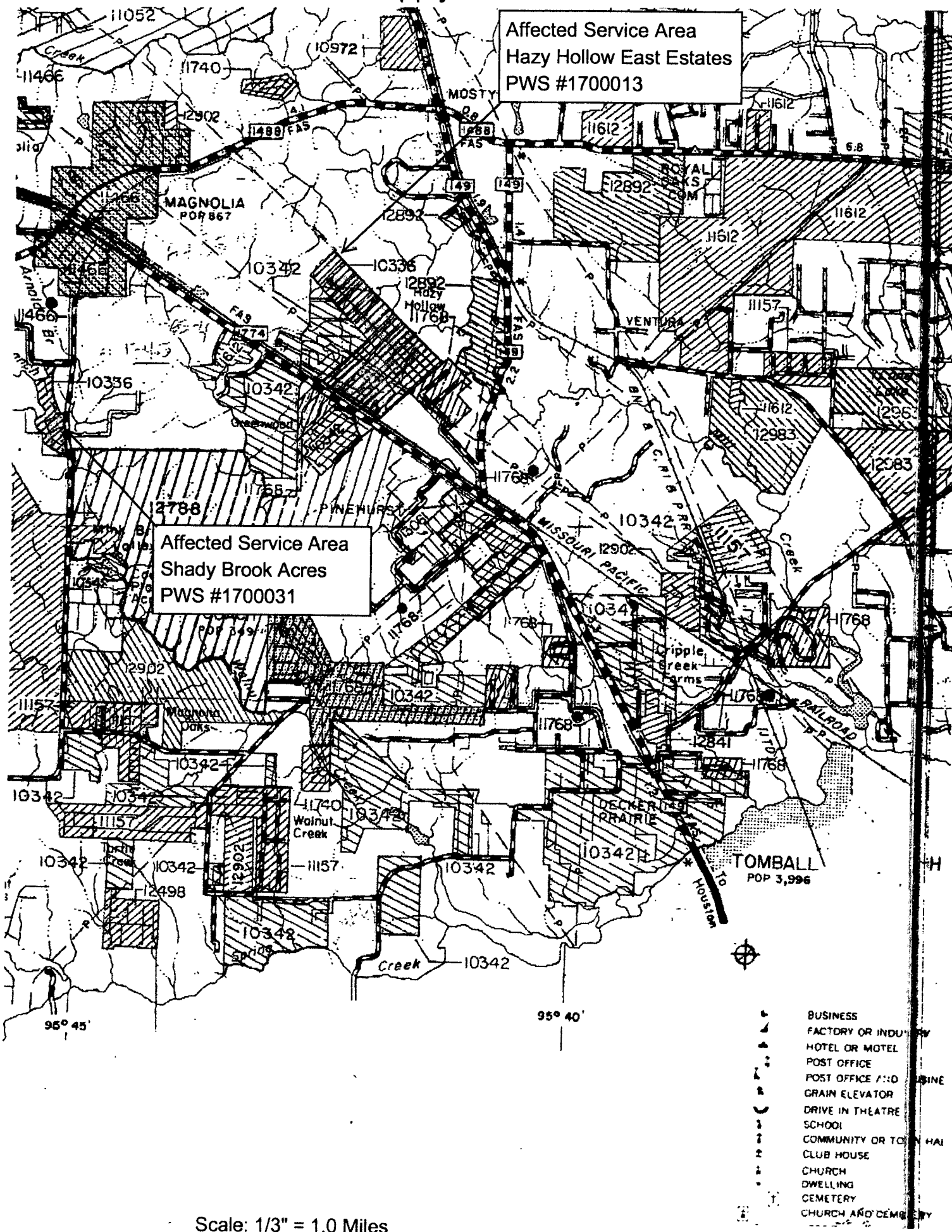
Leticia De Leon, Team Leader
Public Water Supply
Houston Region Office

LD/SM/ra

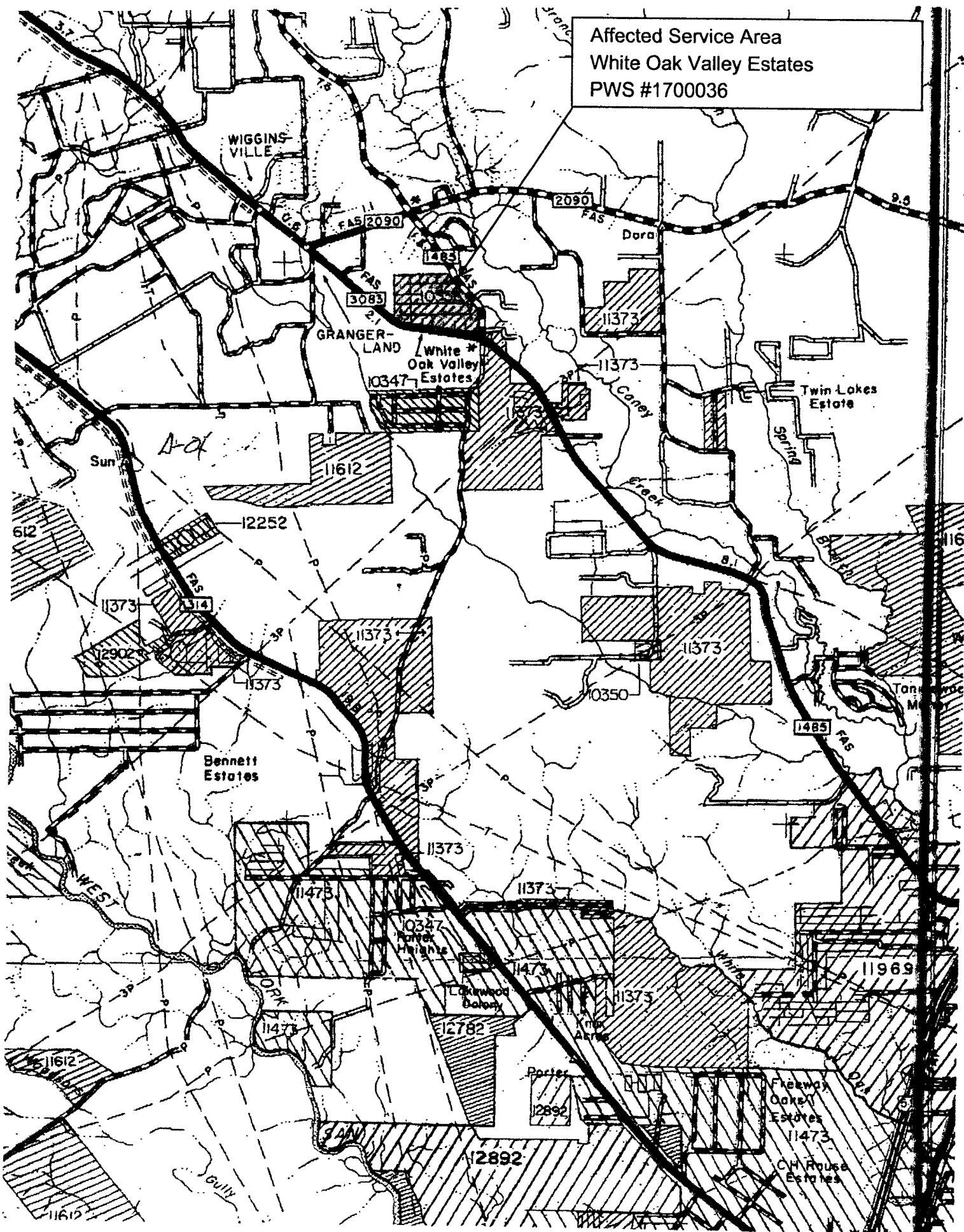
cc: Montgomery County Environmental Health Services

Mapping Information

Nerro Supply Investors. LLC.

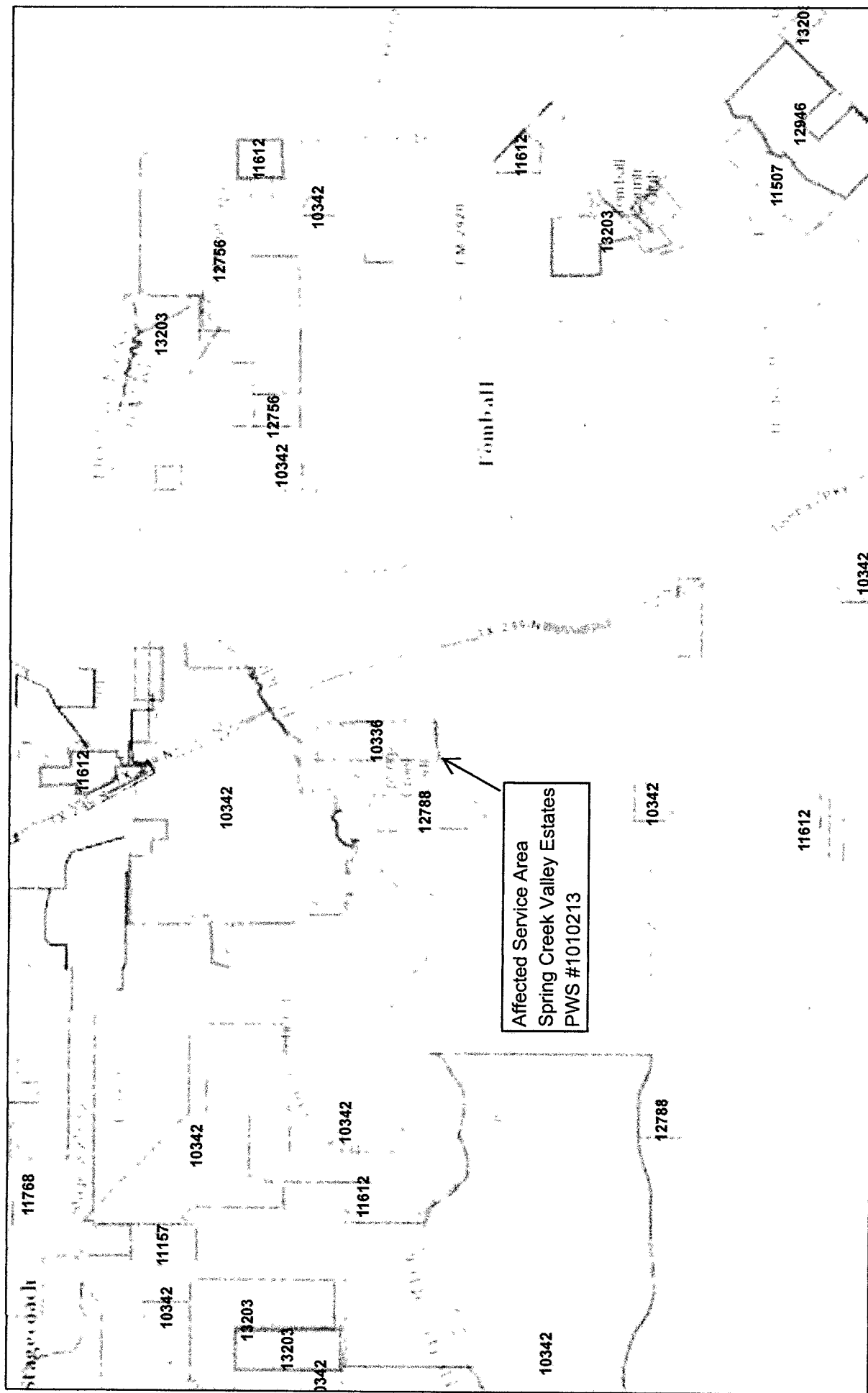


Nerro Supply Investors, LLC.

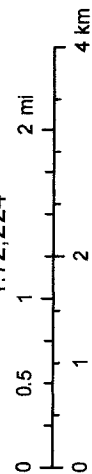


Scale: 1/3" = 1.0 Miles

Nerro Supply Investors, LLC.



1:72,224



Sources: Esri, HERE, DeLorme, TomTom, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL,

Revised Tariff Rate Pages

WATER UTILITY TARIFF FOR

Nerro Supply Investors, LLC.

(Utility Name)

718 Westscott Street

(Business Address)

Houston, Texas 77007

(City, State, Zip Code)

(281) 355-1312

(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

10336

This tariff is effective in the following county (ies):

Harris and Montgomery

This tariff is effective in the following cities or unincorporated towns (if any):

None

This tariff is effective in the following subdivision or systems:

Hazy Hollow East Estates, Shady Brook Acres, Spring Creek Valley Estates, and White Oak Valley Estates

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

TABLE OF CONTENTS

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| APPENDIX A- SAMPLE SERVICE AGREEMENT | |
| APPENDIX B- APPLICAION FOR SERVICE | |

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

Spring Creek Valley Estates (Harris County)

| Meter Size | Monthly Minimum Charge | Gallage Charge |
|---|-----------------------------------|---|
| 5/8" or 3/4" | \$ 37.16 (Includes 1,000 gallons) | \$ 3.56 per 1000 gallons over the minimum |
| * Plus NHCRWA Fee for <u>ALL</u> gallons used | | |

* North Harris County Regional Water Authority Water Use Fee:

\$ 2.19 per 1,000 gallons of water usage

Hazy Hollow East Estates, White Oak Valley Estates & Shady Brook Acres (Montgomery County)

| Meter Size | Monthly Minimum Charge | Gallage Charge |
|--|-----------------------------------|---|
| 5/8" or 3/4" | \$ 36.71 (Includes 1,000 gallons) | \$ 3.55 per 1000 gallons over the minimum |
| * Plus LSGCD & SJRA Fees for <u>ALL</u> gallons used | | |

* Lone Star Groundwater Conservation District Water Use Fee:

\$ 0.05 Per 1,000 gallons of water usage

* San Jacinto River Authority Fee for Hazy Hollow East Estates and White Oak Valley Estates Only:

\$ 2.50 Per 1,000 gallons of water usage

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X Check X Money Order X Credit Card Other specify

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

REGULATORY ASSESSMENT

1.0%

PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fee

TAP FEE

\$ 0.00

TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique Costs)

Actual Cost

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

SECTION 1.0 – RATE SCHEDULE (Continued)

TAP FEE (Large Meter)

Actual Cost

TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE

Actual Relocation Cost, Not to Exceed Tap Fee

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED

METER TEST FEE

\$ 25.00

THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- | | |
|--|-----------------|
| a) Nonpayment of bill (Maximum \$25.00) | \$ <u>25.00</u> |
| b) Customer's request that service be disconnected | \$ <u>40.00</u> |
| c) _____ | \$ _____ |

TRANSER FEE

\$ 25.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL)

10%

TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE

\$ 25.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)

\$ 50.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT

1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE

Pass Through Provision:

For Utilities subject to changes in costs imposed by any non-affiliated provider of purchased water or sewer or a groundwater conservation district having jurisdiction over the Utility, these increases (decreases) shall be passed through as an adjustment to the gallonage charge according to the formula:

$$AG = G + B/(1-L), \text{ Where:}$$

AG = adjusted gallonage charge, rounded to nearest one cent

G = approved gallonage charge, per 1,000 gallons

B = changed in fee (per 1,000 gallons)

L = water or sewer line loss for preceding 12 months, not to exceed 0.15 (15%);

$$ABR = BR + (B \times N)/(1-L), \text{ Where:}$$

ABR = adjusted base rate, rounded to nearest one cent;

B = approved gallonage charge, per 1,000 gallons;

N = no. of 1,000 gallons included in base rate (do not use zero);

L = water or sewer line loss for preceding 12 months, not to exceed 0.15 (15%)