



Control Number: 45942



Item Number: 7

Addendum StartPage: 0

**Municipal Operations L.L.C**

27316 Spectrum Way,  
Oak Ridge North, Texas 77386

RECEIVED

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PUBLIC UTILITY COMMISSION  
FILING CLERK

June 20, 2016

Docket #- 45942

Dear Matthew Arth,

Municipal Operations, LLC has received correspondence from the PUC regarding the transfer of CCN from William Jeffrey Fowle to Municipal Operations, LLC. One item found as deficient was that the historical financial information for Municipal Operation, LLC was not included. The reason for this deficiency is that Municipal Operations, LLC is a newly formed company with no historical financial records.

The Sales Contract is, also, attached. This document is the sales contract between SWEA Gardens Estates Utility, Inc. and Municipal Operations, LLC. The Purchase price of SWEA Gardens Estates was \$0.00 dollars.

On page 17 there was a clerical error in the amount of water meters in SWEA Gardens, and the number has been revised to match the accurate numbers on pages 10 and 13.

Concerning sections A and C of question 13 revisions have been made according to SWEA Gardens rate case documentation from Docket No. 42853.

If you have any questions regarding this matter please contact John Montgomery at 281-217-1031.

Sincerely,



John Montgomery  
Compliance Coordinator

## **SALE AND PURCHASE AGREEMENT**

This Sale and Purchase Agreement is made on the date below written, by and between SWEA GARDENS ESTATES UTILITY, INC., a Texas corporation, as Sellers, and the Municipal Operations, LLC, a limited liability company duly organized and existing under the laws of Texas, as Purchaser.

WHEREAS, SWEA Gardens Estates Utility, Inc., owns a water supply system, which it operates under a water certificate of convenience and necessity ("CCN") issued by the Texas Commission on Environmental Quality ("TCEQ") providing potable water to residential and commercial customers located within, and in the vicinity of, the Municipal Operations, LLC Subdivision; and

WHEREAS, the parties are sometimes referred to herein, for convenience and brevity, as follows:

(a) SWEA Gardens Estates Utility, Inc, as "Sellers", and

(b) Municipal Operations, LLC as "Purchaser"; and

WHEREAS, SWEA GARDENS ESTATES UTILITY, INC.desires and hereby agrees to sell to MUNICIPAL OPERATIONS, LLC and MUNICIPAL OPERATIONS, LLC desires and hereby agrees to purchase from SWEA Gardens, those certain assets, rights and interests owned by SWEA GARDENS ESTATES UTILITY, INC.and used in the operation of the business of SWEA Gardens, herein referred to as the "Acquired Assets" and further defined herein,

NOW THEREFORE, for and in consideration of the premises and of the mutual agreements herein set forth, SWEA GARDENS ESTATES UTILITY, INC.and MUNICIPAL OPERATIONS, LLC agree as follows:

### **ARTICLE 1. GENERAL PROVISIONS**

1.1 Definitions. For the purposes of this Agreement, the following words, terms, phrases, and their derivations shall have the meanings set forth below. When not inconsistent with the context, words used in the present tense include the future tense, words in the plural number include the singular number, and words in the singular number include the plural number. The word "shall" is always mandatory and not merely directory.

(a) "Acquired Assets" means all assets, properties, and rights owned or used by SWEA GARDENS ESTATES UTILITY, INC. in connection with the conduct of the Business, excluding Excluded Assets. Acquired Assets include the following:

(i) All inventories of replacement parts, spare parts, and operating supplies as of the day before the Closing and as described on Schedule 1, which shall be supplied by Sellers and attached hereto at the Closing.

(ii) All personal property including, without limitation, all designs, plans,. specifications, books, technical specification, as built construction drawings and utility

plans, chlorination equipment water pumps, and pipes associated with or related to the conduct of the Business.

(iii) All easements and real property described on Schedule 2, together with the improvements thereon and fixtures related thereto, including without limitation, water wells and storage tanks, wastewater treatment facilities, collection lines, and distribution lines, whether located in easements or in public streets and rights-of-way.

(iv) All orders, contracts, and commitments for water or

otherwise related to the Business, including, without limitation, all such items relating to distribution and similar arrangement, and any contractual rights which may be acquired pursuant to pending applications or negotiations.

(v) All permits, approvals, authorizations, licenses, qualifications, and other entitlements issued by any government or governmental unit, agency, board, body, or instrumentality, whether federal, state, or local, and all applications therefor, including specifically and without limitation the CCN's and the wastewater discharge permit..

(vi) All operating books and records, including without limitation, customer lists and records, and well and system water pumpage histories.

(vii) All water rights owned, possessed, held, acquired, or claimed, and any such water rights that could or may in the future be owned, possessed, held, acquired, or claimed based on the history of the Business.

(b) "Business" means the water supply system presently owned and operated by SWEA Gardens Estates Utility, Inc.

(c) "Closing" means the date and time at which the sale and purchase of the Acquired Assets will be consummated.

(d) "MUNICIPAL OPERATIONS, LLC" means the Municipal Operations, LLC, Texas, a limited liability corporation

(e) "Excluded Assets" means the following rights, properties, and assets of the Business as the same exist as of the Closing:

(i) All cash, bank deposits, time deposits, and the accounts receivable as of the closing date.

(iii) All prepaid insurance.

(f) "Hazardous Materials" means:.

(i) Any substance, product, waste, or other material of any nature that is or becomes listed, regulated, or addressed under one or more of the following:

(A) The Comprehensive Environmental Response, Compensation, and Liability Act, referred to as "CERCLA," in Sections 9601 et seq. of Title 42 of the United States Code.

(B) The Hazardous Materials Transportation Act, in Sections 1801 et seq. of Title 49 of the United States Code.

(C) The Resource Conservation and Recovery Act, referred to as "RCRA," in Sections 6901 et seq. of Title 42 of the United States Code.

(D) The Hazardous Substances Act, referred to as "HSA," in Sections 1261 et seq. of Title 15 of the United States Code.

(E) The Toxic Substances Control Act, referred to as "TSCA," in Sections 2601 et seq. of Title 15 of the United States Code.

(F) The Injection Well Act, in Texas Water Code Sections 27.002 et seq.

(G) The Comprehensive Municipal Solid Waste Management, Resource Recovery, and Conservation Act in Texas Health and Safety Code Sections 363.001 et seq.

(14) The Hazardous Substances Act, in Texas Health and Safety Code Section 501.001 et seq.

(1) The Water Quality Control Act, in Texas Water Code Sections 26.001 et

seq.

(J) Any other federal or state law or local ordinance or other rule concerning hazardous, toxic, or dangerous substances, wastes, or materials. (ii) Any substance, product, waste, or other material that may give rise to liability under any of the laws designated in subparagraph (i) or under any other statutory or common-law tort theory.

(iii) Crude oil products, including petroleum. (iv) Asbestos.

(h) "Hazardous Materials Contamination" means the presence of Hazardous Materials in detectable quantities sufficient to constitute a violation of any statute or regulation pertaining to such Hazardous Materials.

(i) "Person means any natural person, firm, association, partnership, corporation, or other entity.

"Purchaser" means the Municipal Operations, LLC, Texas.

(k) "Swea Gardens" means SWEA Gardens Estates Utility, Inc. and

(l) "Sellers" mean SWEA Gardens Estates Utility, Inc., and

1.2 Interpretation The table of contents and the headings of the Articles, Sections, and other subdivisions of this Agreement are for convenience of reference only and shall not limit any of the terms of provisions hereof All dollar amounts referred to herein are in United States dollars.

## **ARTICLE 2. PURCHASE AND SALE**

2.1 Transaction On and subject to the terms and conditions of this Agreement, at the Closing (a) MUNICIPAL OPERATIONS, LLC will purchase from SWEA Gardens, and SWEA GARDENS ESTATES UTILITY, INC. will sell, transfer, convey, and assign to MUNICIPAL OPERATIONS, LLC, good and indefeasible title in and to the Acquired Assets; and (b) MUNICIPAL OPERATIONS, LLC will pay to SWEA GARDENS ESTATES UTILITY, INC. the Purchase Price, as herein provided.

2.2 Assumed Liabilities. For purposes of this Agreement there are no assumed liabilities. The MUNICIPAL OPERATIONS, LLC does not assume any of the Sellers' liabilities. The Sellers are solely responsible for all Excluded Liabilities.

2.3 Consideration. The consideration due and payable by MUNICIPAL OPERATIONS, LLC to SWEA GARDENS ESTATES UTILITY, INC. includes:

(a) Cash purchase price of \$ 0.00.

(b) The obligation of MUNICIPAL OPERATIONS, LLC to "tend and provide service to certificated areas issued under Certificate of Convenience and Necessity No. 11900..

2.4 Payment of Purchase Price. MUNICIPAL OPERATIONS, LLCWSC will pay the cash Purchase Price to SWEA Gardens Estates Utility, Inc.

2.5 Casualty Loss All risk of loss or damage to the Acquired Assets shall remain upon SWEA GARDENS ESTATES UTILITY, INC. prior to Closing. In the event of loss, damage or destruction to the Acquired Assets prior to the Closing, SWEA GARDENS ESTATES UTILITY, INC. shall, at SWEA Garden's expense, repair the same prior to Closing. If the said repairs are not able to be completed prior to the Closing, the Closing shall be postponed until such time as the repairs are completed, as determined by mutual agreement of MUNICIPAL OPERATIONS, LLC and SWEA Gardens.

### **ARTICLE 3. REPRESENTATIONS AND WARRANTIES**

**3.1 Sellers' General Representations and Warranties.** Sellers individually and jointly hereby represent and warrant to MUNICIPAL OPERATIONS LLC the following:

(a) Organization and Existence; Business. SWEA Gardens Estates Utility, Inc. is a corporation duly organized, validly existing, and in good standing under the laws of the State of Texas. Sellers treat and distribute potable water.

(b) Power and Authority. Sellers have full power and authority under their Articles of Incorporation, Bylaws, and the laws of the State of Texas to execute, deliver, and perform this Agreement.

(c) Authorization The execution, delivery, and performance of this Agreement by Sellers has been duly authorized by all requisite corporate action. j

(d) Binding Effect. This Agreement is a valid, binding, and legal obligation of Sellers, jointly and individually, enforceable against Sellers in accordance with the terms hereof.

(e) No Default. Neither the execution and delivery of this Agreement nor Sellers' full performance of their obligations hereunder will violate or breach, or otherwise constitute or give rise to a default under, the terms or provisions of their organizational and governance documents or any material contract, commitment, instrument, notice, writ, injunction, order or decree of any court, agency, or other governmental authority or other obligation to which Sellers are a party.

(f) No Knowledge of MUNICIPAL OPERATIONS, LLC Default. Sellers have no knowledge that any of MUNICIPAL OPERATIONS, LLC representations and warranties are untrue, incorrect, or incomplete or that MUNICIPAL OPERATIONS, LLC is in Default under any term or provision of this Agreement.

(g) Liens and Encumbrances. The Acquired Assets are free and clear of any and all security interests, liens, and encumbrances or any other rights or claims of any person.

(h) Consents. No consent, approval, authorization or order of any court, agency or any other person is required in order to permit the consummation of the transactions contemplated by this Agreement, except for the determination to be made by TNRCC pursuant to Sections 13.251 and 13.301, Texas Water Code, with respect to the transfer of the CCN's, and 30 Tex. Admin. Code § 305.64, with respect to the transfer of the Wastewater Permit No. 11867-01. Sellers and MUNICIPAL OPERATIONS, LLC agree that, forthwith upon the execution of this Agreement, they will give due notice and submit this Agreement to TCEQ and will proceed diligently on their respective accounts and in cooperation with one another, to obtain the required determination, including provision to TCEQ of all information and supporting data needed to satisfy and fulfill any and all requirements of law and of TCEQ and its Executive Director to obtain the required determination

(i) Representations and Warranties True and Complete To the best of the knowledge of Sellers, all representations and warranties of Sellers in this Agreement including all representations in this Section 3.1 and in Section 3.2 hereof are true, accurate, and complete in all material respects as of the date hereof, will be true, accurate, and complete in all material respects as of the Closing, and such representations and warranties shall be deemed remade at and as of the Closing, except with respect to the effect of transactions contemplated or permitted by this Agreement and with respect to the effect of the passage of time upon material expressly indicated in the Schedules as being as of a particular date. To the best of their knowledge, Sellers have fairly and accurately disclosed to MUNICIPAL OPERATIONS, LLC all material facts respecting the purchase by MUNICIPAL OPERATIONS, LLC of the Acquired Assets and the acquisition of the Business. The financial statements are based upon and derived from internal accounting records relied upon by Sellers in the conduct of the Business and for purposes of preparation and filing of tax returns, and to the best of their knowledge, Sellers believe that financial statements correctly reflect the matters stated in them.

3.2 Sellers' Other Representations and Warranties. Sellers hereby represents and warrants to MUNICIPAL OPERATIONS, LLC the following:

(a) Financial Statements. Schedules 3(a) and 3(b) are unaudited financial statements, covering the 1996 operations of the Business, copies of which have been previously delivered to MUNICIPAL OPERATIONS, LLC. The financial statements are based upon and derived from internal accounting records relied upon by Sellers in the conduct of the Business and for purposes of preparation and filing of tax returns, and to the best of their knowledge Sellers believe that the financial statements correctly reflect the matters stated in them.

(b) Investments Sellers do not own or hold any equity interest, directly or indirectly, in any corporation, partnership, joint venture, business, firm, or other entity which engages in any business in direct competition with the Business and Sellers are not parties to a commitment or agreement to acquire any such interest.

(c) Inventories. Sellers have ownership of all inventories described on Schedule 1. The schedule of **inventories attached** as Schedule 1 constitutes a full and complete list of all inventory of the Business to be assigned. To the best of Sellers' knowledge, there are no latent defects in the inventory listed on Schedule 1. With respect to the physical condition, except as herein expressly provided and except for warranty of title, the inventory listed on Schedule I shall be transferred to MUNICIPAL OPERATIONS, LLC "AS-IS-WHERE-IS", and in its present condition; provided, however, if

(d) MUNICIPAL OPERATIONS, LLC, after exercising due diligence, is unable to locate any of the Acquired Assets, SWEA GARDENS ESTATES UTILITY, INC. shall, at MUNICIPAL OPERATIONS, LLC's request, provide assistance to MUNICIPAL OPERATIONS, LLC in locating them. The obligation to provide such assistance to MUNICIPAL OPERATIONS, LLC shall survive Closing.

(e) Personal Property. Sellers have ownership of all tangible personal property used in connection with the Business, and such property which will be delivered to MUNICIPAL OPERATIONS, LLC, constitutes all of the assets necessary for the conduct of the Business. Sellers have delivered or will deliver at Closing all support, maintenance, warranty, and similar agreements related to such personal property. To the best of Sellers' knowledge, there are no latent defects in the personal property with respect to the physical condition, except as herein expressly provided, and except for warranty of title, the personal property shall be transferred to MUNICIPAL OPERATIONS, LLC "AS-IS-WHERE-IS", and in its present condition. All water pipes and lines owned by Sellers or used by the Business are on easements owned by Sellers that are to be conveyed to MUNICIPAL OPERATIONS, LLC or in public rights of way.

(f) Real Property. Sellers have ownership of all real property listed on Schedule 2. The list of real property attached hereto is a full and complete list of all of the real property used in connection with the Business and such real property constitutes all of the real property necessary for the conduct of the Business. All real property listed on Schedule 2 is owned by Sellers free and clear of any claim whatsoever. To the best of Sellers' knowledge, there are no latent defects in the improvements on and water pipes and lines in the real property listed on Schedule 2. With respect to the physical condition, except as herein expressly provided and except for warranty of title, any improvements on and water pipes and lines in the real property listed on Schedule 2 shall be transferred to MUNICIPAL OPERATIONS, LLC "AS-IS-WHERE-IS", and in their present condition.

(g) Litigation. There presently exists no litigation, proceeding, action, claim, or investigation at law or in equity, pending or threatened, which would, individually or in the aggregate, have a material or adverse effect on the Business, and Sellers have no knowledge of any facts or circumstances that would indicate that any such claim exists. Sellers are not subject to any notice, writ, injunction, order, or decree of any court, agency, or other governmental authority which would materially or adversely affect the Business.

(h) Compliance with Laws. Sellers and the Acquired Assets, including water quality and water quantity, are in all material respects in full compliance with all statutes, ordinances, codes, restrictions, regulations, and other governmental requirements, including but not limited to, 30 Texas Admin. Code §§291.41, et seq. At all times prior to the Closing, the conduct of Sellers and the Business has been in all material respects in full compliance with all statutes, ordinances, codes, restrictions, regulations, and other governmental requirements.

(i) Payment of Taxes; Tax Liens. All tax returns required to be filed by Sellers on or before the Closing Date have been or will be properly filed on or before the Closing Date. All tax returns required to be filed by Sellers after the Closing Date will be properly filed on or before the due date thereof. All taxes, including, but not limited to, personal property and ad valorem taxes, **are current and** not in default. The Acquired Assets are not in any manner encumbered by any liens arising out of unpaid taxes which are due and payable nor shall any such lien arise on account of any taxes due for any period prior to the Closing.

(j) Environmental Matters. With the exception of chlorine gas used by Sellers in the, treatment of water and wastewater, neither Sellers nor, to the knowledge of Sellers, any other person, has generated, processed, stored, transported, recycled, disposed of, or otherwise handled any Hazardous Materials, in any manner that has resulted, or that could result, in a violation of federal, state, or local statutes or regulations, or in a Hazardous Materials Contamination, as herein defined, on, beneath or about any of the premises used in the conduct of the Business, conduct of the Business, or in any manner otherwise related to the operation of the Business. In addition, Sellers have no knowledge that any property adjoining the premises used in the conduct of the Business, or previously used in the conduct of the Business, is being used, or has ever previously been used, for the generation, processing, storage, transport, recycling, disposal, or other handling of any Hazardous Materials. In addition, neither the premises presently used, nor any premises previously used in the conduct of the Business, nor, to the knowledge of Seller, any adjacent premises, has ever been affected by any Hazardous Materials Contamination, as herein defined. Sellers have not received any notice from any governmental authority or other person advising Sellers that they are potentially responsible for response costs with respect to a release or threatened release of any Hazardous Materials, and no

investigation, administrative proceeding, consent order or agreement, litigation, or settlement with respect to Hazardous Materials or Hazardous Materials Contamination is anticipated or in existence, or to the knowledge of Sellers proposed or threatened with respect to the premises used in the conduct of the Business, or in any other manner otherwise related to the operation of the Business.

k) True and Complete Copies. SWEA GARDENS ESTATES UTILITY, INC. has delivered or made available to MUNICIPAL OPERATIONS, LLC true, correct, documents related to the Business, together with all modification thereof and amendments thereto.

Customer Deposits. There are no customer deposits.

3.3 MUNICIPAL OPERATIONS, LLC Representations and Warranties. MUNICIPAL OPERATIONS, LLC hereby represents and warrants to Sellers the following:

(a) Organization and Existence. MUNICIPAL OPERATIONS, LLC is a municipal corporation duly organized and existing under the laws of Texas.

(b) Power and Authority. MUNICIPAL OPERATIONS, LLC has full power and authority under the general laws of the State of Texas to execute, deliver, and perform this Agreement.

(c) Authorization. The execution, delivery, and performance this Agreement has been duly authorized by all requisite actions of the electors and of the Board of Aldermen of MUNICIPAL OPERATIONS, LLC.

(d) Binding Effect. This Agreement is a valid, binding, and legal obligation of MUNICIPAL OPERATIONS, LLC in accordance with the terms hereof.

(e) No Default. Neither the execution and delivery of this Agreement nor MUNICIPAL OPERATIONS, LLC'S full performance of its obligations hereunder will violate or breach, or otherwise constitute or give rise to a Default under, the terms or provisions of the Texas laws to which MUNICIPAL OPERATIONS, LLC is subject.

(f) No Knowledge of Sellers Default. MUNICIPAL OPERATIONS, LLC has no knowledge that any of Sellers' representations and warranties are untrue, incorrect, or incomplete or that Sellers are in Default under any term or provision of this Agreement.

3.4 Construction under CERCLA. It is the intent of the parties that the indemnity provisions of this Agreement be construed as being made pursuant to Section 9607(e) of Title 42 of the United States Code.

3.5 Warranty of Status of Property. To the best of Sellers' knowledge after reasonable inquiry, Sellers represent and warrant the following:

(a) Except for chlorine gas used in the treatment of water and wastewater, there are no Hazardous Materials on, in, or under the property to be conveyed hereunder, or any property subject to an easement being conveyed hereunder, or the property on which any of the facilities are located (referred to herein as the "Property"), whether contained in barrels, tanks, equipment (moveable or fixed) or other containers; deposited or located in land, waters, sumps or in any other part of the site; incorporated into any structure on the site; or otherwise existing thereon.

(b) The Property (and, to the best of Sellers' knowledge, nearby or adjoining property) has never been used for any industrial or commercial operation involving any Hazardous Materials, including but not limited to any sort of manufacturing, processing or refining; equipment, machinery, part or component, cleaning or degreasing; the sale,

storage or transport of Hazardous Materials; any aspect of the provision of services which utilize Hazardous Materials; drilling, mining or production of oil, gas, minerals or other naturally occurring products; or any agricultural activities involving the use and storage of fertilizers or pesticides.

(c) Except for chlorine gas used in the treatment of water and wastewater, at no time during the period that Sellers have owned the Property have Sellers allowed any Hazardous Materials to be present, contained, used, manufactured, handled, created, stored, treated, discharged, released, or buried on the Property or transported to or from the Property.

(d) No asbestos-containing materials have been installed in or affixed to the structures on the Property at any time before or during Sellers' ownership thereof. No such materials have been stored or disposed of anywhere on the Property.

(e) No storage tanks for gasoline or any other substance are or have been located on the Property, whether above ground, underground or within a structure at any time before or during Sellers' ownership thereof

(f) Any and all electrical transformers or other electrical equipment containing polychlorinated biphenyls ("PCBs") that may have been on the Property have been removed; there have never been any spills or other releases of PCBs on the Property, and the Property is free from any residue thereof

(g) The Property is in compliance with the terms, conditions, and requirements of all applicable federal, state, and local laws, ordinances, and regulations concerning Hazardous Substances.

3.6 Pending or Threatened Environmental Proceedings. Sellers warrant that as of the date of this Agreement:

(a) There is no pending claim, law suit, agency proceeding, or other legal, quasi-legal or administrative challenge concerning the Property, the operation of the Property or any condition existing thereon, and no such claim, litigation, proceeding or challenge is proposed or threatened by any person or entity, or otherwise anticipated by Sellers.

(b) Sellers have not been contacted, and has no reason to believe that any contact will be made, by any representative of a federal, state, or local governmental agency concerning any matter having to do with a Hazardous Materials on the Property, including, but not limited to, the presence, containment use, manufacture, handling, creation, storage, treatment, discharge, release, or burial on the Property or the transportation to or from the Property.

3.7 Prior Environmental Proceedings. Sellers warrant that at no time during the period that Sellers have owned the Property, and to the best of Sellers' knowledge, at no earlier time, were any agreements, stipulations, or settlements of any kind entered into between the owner of the Property and any private or public entity relating to any Hazardous Material on the Property, including, but not limited to, the presence, containment, use, manufacture, handling, creation, storage, treatment, discharge, release, or burial on the Property or the transportation to or from the Property of any Hazardous Material.

3.8 Obligations of Sellers and- Municipal Operations, LLC. Sellers agree to indemnify, defend, and hold Municipal Operations, LLC harmless against all legal or administrative proceedings brought against Municipal Operations, LLC, and all demands, claims, fines, damages, liabilities, penalties, attorney fees, consultant fees, or costs of whatever nature occasioned by the existence or alleged existence of Hazardous Materials on or in the property released, or any Hazardous Materials Contamination of the property occurring, before or during Sellers' ownership of the property; and Municipal Operations, LLC agrees to indemnify, defend, and hold Sellers harmless against all legal or administrative proceedings brought against Sellers, and all demands, claims, fines, damages, liabilities, penalties, attorney fees, consultant fees, or costs of whatever nature occasioned by the existence of or alleged existence of Hazardous Materials on or in the property released, or any Hazardous Materials Contamination of the property occurring, after Municipal Operations, LLC's acquisition and ownership of the property. The respective periods of ownership by Sellers and by the Municipal Operations, LLC shall be deemed to be before and after the closing of this Agreement.

3.9 Limitation with Respect to Disclosed Notwithstanding any other provision of this Agreement, the Sellers shall have no obligation whatsoever to the MUNICIPAL OPERATIONS, LLC under Paragraph 3.8 for any matter with respect to which a written disclosure was made by the Sellers prior to the execution of this Agreement.

3.10 Disclaimers. Sellers have made no warranty, claim, or representation with regard to any of the following matters:

(a) That after closing the water supplied and delivered by MUNICIPAL OPERATIONS, LLC or its designated agents will continue to be potable and of quality equivalent to its present quality at or during any future period of time;

(b) That after closing the water supplied and delivered by MUNICIPAL OPERATIONS, LLC or its agents will continue to be of sufficient quantity to fulfill the needs and demands of MUNICIPAL OPERATIONS, LLC and its customers for service at or during any future period of time;

(c) That the subsurface sources of water from which Sellers draw and deliver water will continue to be sufficient, as to the quality and the quantity of water which MUNICIPAL OPERATIONS, LLC may draw and use from such sources, to continue to fulfill the needs and demands of MUNICIPAL OPERATIONS, LLC and its customers for potable water at or during any future period of time.

CRY acknowledges that Sellers have made no warranty, claim, or representations with

regard to the aforesaid matters set forth in this Paragraph 3.10(a), (b), and (c), either express or implied, and accordingly accepts and will abide by all of such disclaimers. No party has made any further representation or warranty, either express or implied, concerning the subject matter of this Agreement and no party has relied on any such further representation or warranty.

3.11 Survival. The respective covenants, representations, and warranties of Sellers and MUNICIPAL OPERATIONS, LLC contained in this Agreement will survive the execution and delivery of this Agreement and the Closing.

#### ARTICLE 4. ACTIONS BEFORE CLOSING

4.1 Access. Between the date hereof and the Closing, SWEA GARDENS ESTATES UTILITY, INC. covenants to MUNICIPAL OPERATIONS, LLC that SWEA GARDENS ESTATES UTILITY, INC. will afford duly authorized representatives of MUNICIPAL OPERATIONS, LLC, free and full access during normal business hours to all of the assets, properties, records, and customers of the Business. SWEA GARDENS ESTATES UTILITY, INC. specifically covenants that SWEA GARDENS ESTATES UTILITY, INC. will permit, at MUNICIPAL OPERATIONS, LLC'S cost, duly authorized representatives of MUNICIPAL OPERATIONS, LLC to conduct such tests of the assets, provided that any such tests are performed in such a manner as will not disrupt the operation of the Business, and, in the event of damage or injury resulting from any such tests, MUNICIPAL OPERATIONS, LLC will place any damaged property in substantially the same condition as it was in prior to the conduct of such tests and, to the extent it legally may, indemnify and hold SWEA GARDENS ESTATES UTILITY, INC. harmless from any personal injury or death that is not the result of SWEA Gardens' negligence or willful misconduct.

4.2 Interim Conduct of the Business. SWEA GARDENS ESTATES UTILITY, INC. hereby covenants to MUNICIPAL OPERATIONS, LLC that, from the date hereof to the Closing, SWEA GARDENS ESTATES UTILITY, INC. will conduct the Business only in the ordinary and usual course, consistent with good and past practices. Without limiting the generality of the foregoing, SWEA GARDENS ESTATES UTILITY, INC. hereby covenants to MUNICIPAL OPERATIONS, LLC that, insofar as the Business is concerned, SWEA GARDENS ESTATES UTILITY, INC. will use its best efforts to:

(a) preserve substantially intact the Business's relationships with suppliers, customers, and others having business dealings with the Business; and

(b) maintain its properties in good operating condition and repair.

4.3 MUNICIPAL OPERATIONS, LLC'S Approval of Certain Transactions. SWEA GARDENS ESTATES UTILITY, INC. hereby covenants to MUNICIPAL OPERATIONS, LLC that, except as may otherwise be required under this Agreement, from the date hereof to the Closing, insofar as the Business is concerned, SWEA GARDENS ESTATES UTILITY, INC. will not do any of the following without the prior written consent of MUNICIPAL OPERATIONS, LLC:

(a) permit any encumbrances against any of the Acquired Assets;

(b) accelerate or delay the sale of water except as may be necessary in the ordinary course of business; or

(c) enter into any transaction, contract or commitment outside of the ordinary course of business, waive any right, cancel any debt or claim, or voluntarily suffer any extraordinary loss.

4.4 Consent to Assignment. SWEA GARDENS ESTATES UTILITY, INC. hereby covenants to MUNICIPAL OPERATIONS, LLC that the consents or approvals of assignment from those persons whose consents or approvals are required for the assignment of SWEA Gardens' rights as contemplated by this Agreement have been obtained.

4.5 Title Commitment. Within forty-five (45) days of the date of this Agreement, SWEA Gardens, at its cost, shall obtain and deliver to MUNICIPAL OPERATIONS, LLC (a) a title commitment issued through Kendall County Abstract Company (to be underwritten by a title insurance company acceptable to SWEA GARDENS ESTATES UTILITY, INC. and MUNICIPAL OPERATIONS, LLC) covering all real property and easements (other than easements created by recorded plats) included in the Acquired Assets, and legible copies of all documents forming the basis for any exceptions noted therein; (b) surveys of all real property and easements (other than easements created by recorded plats) included in the Acquired Assets; and (c) copies of recorded documents creating all such easements (other than easements created by recorded plats) and, if such easements were not originally granted to Sellers, copies of recorded documents conveying such easements to Sellers, together with copies of recorded deeds under which the servient tenement was first conveyed after the creation of such easements under which the easement was listed as an exception to or encumbrance on the title of the conveyed servient tenement provided, however, the MUNICIPAL OPERATIONS, LLC will pay for such copies.

4.6 Title and Survey Review. MUNICIPAL OPERATIONS, LLC shall review and notify SWEA GARDENS ESTATES UTILITY, INC. if there is an objection of any matters disclosed by the survey or title commitment. SWEA Gardens' cure of such objections to MUNICIPAL OPERATIONS, LLC'S satisfaction before the Closing shall be a condition to MUNICIPAL OPERATIONS, LLC'S obligation to consummate the transactions contemplated by this Agreement. If MUNICIPAL OPERATIONS, LLC learns of any defect, encumbrance or other objectionable title or survey matter that is not set forth in the survey or the title commitment and not caused by MUNICIPAL OPERATIONS, LLC, then MUNICIPAL OPERATIONS, LLC, within ten (10) days following the date MUNICIPAL OPERATIONS, LLC learns of such defect or objection, shall have the right to object to such defect, encumbrance or other matter by giving written notice thereof to SWEA GARDENS, and SWEA GARDENS'S cure of such objection to MUNICIPAL OPERATIONS, LLC'S satisfaction before the Closing shall be a condition to MUNICIPAL OPERATIONS, LLC'S obligation to consummate the transactions contemplated by this Agreement.

4.7 Physical Inventory. Within thirty (30) days of the date of this Agreement, SWEA GARDENS ESTATES UTILITY, INC. and MUNICIPAL OPERATIONS, LLC shall jointly conduct a physical count of the inventory. Prior to Closing, SWEA GARDENS ESTATES UTILITY, INC. shall maintain its inventory at current levels.

4.8 Easements. If any unrecorded easements are on real property owned by SWEA Gardens, or any affiliate of SWEA Gardens, SWEA GARDENS ESTATES UTILITY, INC. shall cause such entity to record such easement in the real property records of Bexar, Comal or Kendall Counties. If such unrecorded easements are not on real property owned by SWEA GARDENS, or any affiliate of SWEA Gardens, SWEA GARDENS ESTATES UTILITY, INC. shall cause the owners of such real property to record such easements in the real property records of Harris Counties

## ARTICLE 5. CONDITIONS

5.1 Conditions to MUNICIPAL OPERATIONS, LLC'S Obligations. The obligation of MUNICIPAL OPERATIONS, LLC to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions at or before the Closing:

(a) The representations and warranties of Sellers contained in this Agreement shall be true, accurate, and complete in all material respects as of the date hereof and as of the Closing (and such representations and warranties shall be deemed remade at and as of the Closing, except with respect to the effect of transactions contemplated or permitted by this Agreement and with respect to the effect of the passage of time upon material expressly indicated in the Schedules as being as of a particular date).

(b) SWEA GARDENS ESTATES UTILITY, INC. shall have performed and complied with all agreements and conditions required by this Agreement to be performed or satisfied by SWEA Gardens.

(c) All corporate actions to be taken by SWEA GARDENS ESTATES UTILITY, INC. in connection with the transactions contemplated by this Agreement, and all documents incidental thereto, shall be satisfactory in form and substance to MUNICIPAL OPERATIONS, LLC in the reasonable opinion of its legal counsel.

(d) SWEA GARDENS ESTATES UTILITY, INC. shall, with the "cooperation of MUNICIPAL OPERATIONS, LLC, have obtained the consent of the TNRCC to the transfer of the CCN, as further provided in Article 3. 1 (h).

(c) There shall not have been issued and in effect any injunction or similar legal order prohibiting or restraining consummation of any of the transactions herein contemplated and no legal action or governmental investigation which might reasonably be expected to result in any such injunction or order shall be pending or threatened.

(f) Within 10 days after the execution of this contract, at MUNICIPAL OPERATIONS, LLC'S election and at MUNICIPAL OPERATIONS, LLC'S sole expense, MUNICIPAL OPERATIONS, LLC may arrange for one or more qualified environmental consultants to conduct an environmental assessment and site testing of the acquired assets used in connection with the Business, to identify any present or past release or threatened release of any waste materials or any chemical substances, including, without limitation, any Hazardous Materials. Such tests may include both above and below ground testing for environmental damages or the presence of Hazardous Materials or Hazardous Material Contamination or such other tests as MUNICIPAL OPERATIONS, LLC may deem reasonably necessary. SWEA GARDENS ESTATES UTILITY, INC. will supply to MUNICIPAL OPERATIONS, LLC such presently existing and available historical and **operational information** as may reasonably be requested by MUNICIPAL OPERATIONS, LLC to facilitate any such site review and testing and will make available personnel having knowledge of such matters. Any and all costs associated with providing such information, or making such personnel available shall be borne by SWEA Gardens. The results of such tests shall be satisfactory to MUNICIPAL OPERATIONS, LLC, in MUNICIPAL OPERATIONS, LLC'S sole

discretion, and in the event of any clean-up obligation or potential obligation for other response costs, whether under CERCLA or otherwise, any such clean-up shall be accomplished prior to the Closing Date (or if such clean-up cannot be accomplished prior to Closing, as soon as reasonably possible thereafter) by SWEA GARDENS; provided, however, that if the projected cost of any such clean-up exceeds \$10,000.00, SWEA GARDENS ESTATES UTILITY, INC. shall have the option for a period of ten days after receipt of such projected cost to terminate this Agreement.

(g) Cure of any timely-made title or survey objections, as described in Section 4.6.

(h) The Acquired Assets shall not have suffered any destruction or damage by fire, explosion or other casualty. If such destruction or damage shall have occurred, SWEA GARDENS ESTATES UTILITY, INC. shall have repaired any damaged asset back to its condition prior to such damage or replace any destroyed asset.

(i) Two (2) wells identified as #32 and CR-I shall have been drilled and completed or be in the process of being drilled/completed at no cost to MUNICIPAL OPERATIONS, LLC.

**5.2 Conditions to SWEA GARDENS'S Obligations.** The obligation of SWEA GARDENS ESTATES UTILITY, INC. to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions at or before the Closing:

(a) The representations and warranties of MUNICIPAL OPERATIONS, LLCWSC contained in this Agreement shall be true, accurate, and complete in all material respects as of the date hereof and as of the Closing (as if such representations and warranties have been made anew as of the Closing).

(b) MUNICIPAL OPERATIONS, LLC shall have performed and complied with all agreements, covenants and conditions required by this Agreement to be performed or satisfied by MUNICIPAL OPERATIONS, LLC, and MUNICIPAL OPERATIONS, LLC shall have delivered all documents, certificates, and instruments required to be delivered by MUNICIPAL OPERATIONS, LLC under the terms of this Agreement.

(c) MUNICIPAL OPERATIONS, LLC shall have taken all official actions and complied with all legal requirements for performance of the transactions contemplated this Agreement.

(d) There shall not have been issued and in effect any injunctions or similar legal order prohibiting Or restraining consummation of any of the transactions herein contemplated and no legal action or governmental investigation which might reasonably be expected to result in any such injunction or order shall be pending.

## **ARTICLE 6. CLOSING**

**6.1 Time, Date, and Place of Closing.** Closing shall occur at 10:00 a.m., Central Time, on a date that is sixty (60) days after the date that the approval by TNRCC of the transfer of the CCNs to MUNICIPAL OPERATIONS, LLC becomes final. The Closing shall take place at the offices of MUNICIPAL OPERATIONS, LLC, in Oak Ridge North, Texas 77386, or at such other place as the parties may agree. By mutual agreement of MUNICIPAL OPERATIONS, LLC and SWEA GARDENS, the closing date may be advanced or extended.

**6.2 MUNICIPAL OPERATIONS, LLC Obligations.** At the Closing, MUNICIPAL OPERATIONS, LLC shall deliver to SWEA GARDENS ESTATES UTILITY, INC. the following:

(a) the consideration specified in Section 2.7(a) hereof; -

(b) resolutions evidencing the authorization of the execution, delivery, and performance of this Agreement by MUNICIPAL OPERATIONS, LLC;

(c) the separate agreements provided for in Article 5.2(d) and (e) as previously executed by MUNICIPAL OPERATIONS, LLC and Ralph E. Fair, Inc.; and

6.3 SWEA GARDENS'S Obligations. At the Closing, SWEA GARDENS ESTATES UTILITY, INC. at its expense shall deliver to MUNICIPAL OPERATIONS, LLC the following:

(a) ownership and possession of and to the Acquired Assets as herein contemplated:

(b) executed bills of sale, assignments, general warranty deeds, and such other instruments reasonably satisfactory in form and substance to legal counsel for MUNICIPAL OPERATIONS, LLCWSC pursuant to which SWEA GARDENS ESTATES UTILITY, INC. shall convey the Acquired Assets to MUNICIPAL OPERATIONS, LLCWSC;

(c) certificates as to the existence and good standing of SWEA GARDENS ESTATES UTILITY, INC. (as of the date not earlier than ten (10) days prior to the Closing) in the State of Texas;

(d) a certificate dated as of the Closing Date as to the incumbency and signatures of

officers of SWEA GARDENS;

(e) the CCNs;

(f) an Owner Policy of Title Insurance insuring title to all real property and easements

showing no liens and no other exceptions other than those approved by MUNICIPAL OPERATIONS, LLC (other than easements created by recorded plat) included in the Acquired Assets having a policy limit of \$1,500,000; and

## ARTICLE 7. ACTIONS AFTER CLOSING

7.1 Management Agreement. By separate and independent agreement, MUNICIPAL OPERATIONS, LLCWSC will engage

Balcones Corporation to manage and operate the Business for a period of two (2) years with two (2) one (1) year extensions.

## ARTICLE 8. INDEMNIFICATION

8.1 Indemnification of SWEA GARDENS. To the extent allowed by law, after Closing MUNICIPAL OPERATIONS, LLC will indemnify, defend, and hold SWEA GARDENS ESTATES UTILITY, INC. harmless from and against any and all liabilities, damages, losses, claims, costs, and expenses (including reasonable attorneys' fees) arising out of or resulting from any Misrepresentation or breach of warranty by MUNICIPAL OPERATIONS, LLC without limiting the foregoing, any of the following:

(a) Liabilities or obligations incurred by MUNICIPAL OPERATIONS, LLC in its conduct of the Business which are assumed by MUNICIPAL OPERATIONS, LLC pursuant to the terms hereof,

(b) Liabilities or obligations arising out of, resulting from, or relating to claims, whether founded upon negligence, breach of warranty, strict liability in tort, or other similar legal theory, seeking compensation or recovery for or relating to injury or death to person or damage to property occurring after

the Closing and arising in whole or part out of a defect or alleged defect or deficiency of quality or quantity of any water supplied more than 24 hours after the Closing; and

(c) Liabilities or obligations arising out of, resulting from or relating to claims, whether founded upon negligence, breach of contract, intentional or willful misconduct, or other similar legal theory, seeking compensation or recovery for or relating to injury or death to person or property which arise out of conduct of the Business or ownership of the Acquired Assets after the Closing.

8.2 Indemnification of MUNICIPAL OPERATIONS, LLC. In addition to, and without limiting the other indemnification obligations of SWEA GARDENS ESTATES UTILITY, INC. set forth in this Agreement, SWEA GARDENS ESTATES UTILITY, INC. will indemnify, defend, and hold MUNICIPAL OPERATIONS, LLC harmless from and against any and all liabilities, damages, losses, claims, costs, and expenses (including reasonable attorneys' fees and expenses for the defense of any claim which, if proved, would give rise to an obligation of indemnity hereunder, whether or not such claim may be ultimately proved) arising out of or resulting directly or indirectly from:

(a) any misrepresentation or breach of warranty or covenant by SWEA GARDENS:

(b) nonperformance of any other material obligations or covenants on the part of SWEA GARDENS ESTATES UTILITY, INC. under this Agreement; and

(c) without limiting the foregoing, any of the following:

(i) Liabilities or obligations incurred by SWEA GARDENS ESTATES UTILITY, INC. in its conduct of the Business which are not assumed by Municipal Operations, LLC pursuant to the terms hereof,

(ii) Liabilities or obligations of SWEA GARDENS ESTATES UTILITY, INC. under orders, contracts, and other commitments not included in the Acquired Assets;

(iii) Liabilities or obligations arising out of, resulting from, or relating to claims, whether founded upon negligence, breach of warranty, strict liability in tort, or other similar legal theory seeking compensation or recovery for or relating to injury or death to person or damage to property which arise out of the conduct of the Business or ownership of the Acquired Assets by SWEA GARDENS, prior to closing.

(iv) Liabilities or obligations arising out of, resulting from or relating to claims, whether founded upon negligence, breach of contract~ intentional or willful misconduct, or other similar legal theory, seeking compensation or recovery for or relating to injury or death to person or property which arise out of ownership of the Acquired Assets or conduct of the Business by SWEA GARDENS, prior to the Closing;

(v) Liabilities or obligations in whole or part arising out of, resulting from, or relating to any tort, breach of contract or warranty, violation of any statute, ordinance, regulation, or other governmental requirement in connection with the use and ownership of the Acquired Assets or conduct of the Business by SWEA GARDENS, prior to the Closing.

The indemnifications stated in 8.1 and 8.2 shall expressly survive Closing.

**8.3 Claims.** If either party desires to make a claim against the other under Section 8.1 or 8.2 hereof which does not involve a claim by any person other than the parties to this Agreement, then such party shall make such claim by promptly delivering written notice to the other. If either MUNICIPAL OPERATIONS, LLC or SWEA GARDENS ESTATES UTILITY, INC. (the "claimant") desire to make a claim against the other (the "indemnitor") under Section 8.1 or 8.2 hereof which involves a claim by a person other than the

parties, then such claim will be made in the following manner and be subject to the following terms and conditions:

(a) **Notice.** The claimant will give prompt notice to the indemnitor of any demand, claim, or threat of litigation or the actual institution of any action, suit, or proceeding (collectively, a "claim") at any time served on or instituted against the claimant with respect to which the claimant believes it would have a right of indemnification under Section 8.1 or 8.2 hereof. In providing such notice, the claimant shall only state the existence of such claim and shall not admit or deny the validity of the facts or circumstances out of which such claim arose.

Solely for purposes of determining whether the claimant is entitled to indemnification under Section 8.1 or 8.2 hereof, the alleged facts or circumstances on which such claim is based shall be deemed to be true.

(b) **Responsibility for Defense.** Within 30 days after receipt of any such notice, but not less than five (5) working days prior to the time the claimant is required to respond to a claim, the indemnitor will, by giving written notice to the claimant, have the right to assume responsibility for the defense of the claim in the name of the claimant or otherwise as the indemnitor may elect; provided that the indemnitor also agrees that it would have responsibility to indemnify the claimant with respect to such claim; and, provided, further that failure of the indemnitor to exercise its right to assume responsibility for the defense of any claim shall not restrict the ability of the claimant from subsequently joining such indemnitor as a party in any litigation respecting such claim. Otherwise, the claimant will have responsibility for defense of the claim and shall be automatically deemed to have reserved all of its rights against the indemnitor. Subject to the provisions of subsection (c) below, the party having responsibility for defense of a claim (the "defending party") will have the full authority to defend, cure, adjust, compromise, or settle such claim or appeal any judgment or ruling of a court or other tribunal in connection with such claim in its own name or in the name of the other party.

(c) **Right to Participate.** Notwithstanding a defending party's responsibility for the defense of a claim, the other party shall have the right to participate, at its own expense and with its own counsel, in the defense of a claim and the defending party will consult with the other party from time to time on matters relating to the defense of such claim and will provide such information and assistance as the parties deem reasonably necessary to defend the claim. The defending party will provide the other party with copies of all pleadings and correspondence relating to such claim and will keep the other party apprised of proposed adjustment, compromises and settlements.

governmental inquiries or investigations involving SWEA GARDENSs or MUNICIPAL OPERATIONS, LLC'S conduct of the Business or the transactions contemplated hereby.

10.2 Expenses. Each party will bear its own expenses incurred in connection with this Agreement and the transactions contemplated hereby, whether or not such transactions shall be consummated.

10.3 Transfer Taxes. SWEA GARDENS ESTATES UTILITY, INC. will bear any state, federal or foreign transfer, sales or use taxes, if any, which may result from the transfer of the Acquired Assets from SWEA GARDENS ESTATES UTILITY, INC. to MUNICIPAL OPERATIONS, LLC.

10.4 Notices. All notices, offers, approvals, and other communications hereunder shall be in writing **and, except when receipt** is required to start the running of a period of time, shall be deemed given the second day after its mailing by one party by registered United States mail, postage prepaid and return receipt requested, to the other party addressed as follows:

If to MUNICIPAL OPERATIONS, LLC, to:

Municipal Operations, LLC  
P.O. Box 1689  
Spring, Texas 77383

If to SWEA GARDENS, to:

SWEA Gardens Estates Utility, Inc. Water Co.  
10202 N. Laurel Branch Drive  
Houston, Tx. 77064

Any writing which may be mailed pursuant to the foregoing may also be delivered by hand or transmitted by telegraph, telex or telecopier and shall be effective when actually received by the

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addressee. Either party may, from time to time specify as its address for purposes of this Agreement any other address upon the giving of ten (10) days' written notice thereof to the other party-

10.7 Assignment Subject to Section 10.6, this Agreement and the rights, obligations and liabilities hereunder shall be binding upon and inure to the benefit of the successors and assignees; of each of the parties hereto, but no rights, obligations or liabilities hereunder shall be assignable or delegable by any party without the prior written consent of the other party hereto. -

10.8 No Third Parties. This Agreement is not intended to, and shall not, create any rights in or confer any benefits upon any person other than the parties hereto, except for the rights of MUNICIPAL OPERATIONS, LLC under their separate agreement.

10.9 Incorporation by Reference. All attachments to this Agreement constitute integral parts of this Agreement and are incorporated into this Agreement by this reference. The

Schedules referred to herein have been separately compiled, and initialed by the undersigned representatives of SWEA GARDENS ESTATES UTILITY, INC. and MUNICIPAL OPERATIONS, LLC, All such Schedules, and all Appendices attached hereto, are hereby incorporated herein by reference for all relevant purposes.

10.10 Governing Law; Venue. This Agreement will be governed by and construed in accordance with the laws of the State of Texas, applicable to agreement made and to be performed in such jurisdiction. All obligations herein shall be performable and all payment shall be due and payable in Harris County, Texas.


10.11 Counterparts This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one counterpart.

10.12 Public Municipal Operations, LLC Except as required by law, prior to the Closing, neither party shall issue a public announcement regarding the subject matter of this Agreement without the written consent of the other party.

10.13 Entire Agreement This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior oral or written agreement- except for the separate agreement referred to in Articles 2.3 and 10.8.

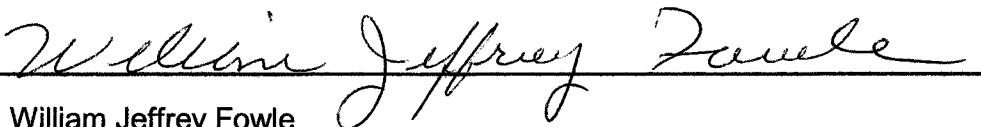
IN WITNESS WHEREOF, MUNICIPAL OPERATIONS, LLC and SWEA GARDENS ESTATES UTILITY, INC. have each caused this Agreement to be executed by respective duly authorized officers.

Attest: MUNICIPAL OPERATIONS, LLC

By 

Lonnie Wright  
Purchaser

SWEA GARDENS ESTATES UTILITY, INC.

By  6-20-16

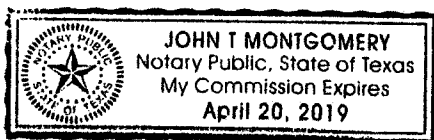
William Jeffrey Fowle  
Seller

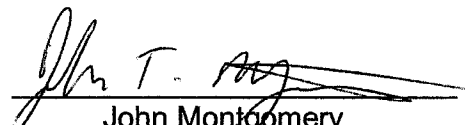
State of Texas

County of Montgomery

On this 20<sup>th</sup> day of JUNE 2016, before me, the undersigned notary public, personally appeared William Jeffrey Fowle known to me to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledge that he/she/they executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.



  
John Montgomery  
Notary Public

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	
42	-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:			42	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:

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

Name	Class	License#
John Montgomery	Water A	WO0005831
Cameron King	Groundwater B	WG0015000
Rick Gilson	Groundwater B	WG0010003

24. Attach the following maps with each copy of the application:

- 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.

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

The quality of service is anticipated to improve because it is operated by a professional operating company with over 20 years experience

E. How will the transaction serve the public interest?

The public interest will be served in that the quality of service will improve by being more reliable and sustainable service.

12. Please describe the nature of the proposed transaction:

This is a transfer of water utility and utility assets from Swea Gardens Estates to Municipal Operations LLC.

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:
  - Total Original Cost (as recorded on books of seller or merging entity):
  - Accumulated Depreciation as of the proposed effective date of the transaction:
  - Contributions in Aid of Construction:
    - Specific surcharges approved by TCEQ or PUC:
    - Revenues from explicit customer agreements:

- Developer Contributions (please explain):


None

- Other Contributions (please explain):


None

Total Contributions in Aid of Construction

• Net Book Value:

-  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]:

N/A

- 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:	<input type="text" value="\$ 6,259.00"/>
Plant Acquisition Adjustment:	<input type="text"/>
Extraordinary Loss on Purchase:	<input type="text"/>
Accumulated Depreciation of Plant:	<input type="text" value="\$ 21,446.00"/>
Cash:	<input type="text"/>
Notes Payable:	<input type="text"/>
Mortgage Payable:	<input type="text"/>
Others (please list):	<input type="text"/>

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.