



Control Number: 48791



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G-M WATER SUPPLY CORPORATION

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September 5, 2018

Pendleton Harbor Water Supply Corporation
200 Sand Dollar Dr.
Hemphill, Texas 75948

Re: Proposed Acquisition of all Assets of Pendleton Harbor Water Supply Corporation ("PIIWSC") by GM Water Supply Corporation ("GMWSC") and merger of entities pursuant to same

Dear Mr. Buttross:

This letter of intent sets forth certain understandings and agreements between GMWSC and PIIWSC (collectively the "Parties"), with respect to the Parties' proposed merger involving the acquisition of all real property and personal property assets of PHWSC utilized in the operation of PHWSC's water supply system (the "Transaction"). A complete list of the subject real property assets and personal property assets of PIIWSC is attached hereto as Exhibit A (the "Assets").

Paragraphs 1 through 12 reflect our current understanding of and will be the basis for moving forward with the Transaction. Unless a mutually satisfactory definitive purchase and sale agreement is executed by the Parties in accordance with these terms and conditions, neither Party is under any obligation to consummate the Transaction; however, the matters set forth in Paragraphs 4 through 12 will constitute legally binding and enforceable agreements between GMWSC and PHWSC.

1. Plan of Merger and Supporting Documents. GMWSC and PHWSC will endeavor to enter into formal, written agreements concerning the merger of the two entities and acquisition by GMWSC of all the Assets of PWSC, referred to as the "Merger Documents", to be negotiated by the Parties that, among other things, will incorporate the provisions expressed in Paragraphs 2 and 3 below.

2. **Cooperation with the Texas Public Utilities Commission ("PUC").** The Parties understand that the merging of the two entities requires prior approval from the PUC. Both parties agree that during the merger process, each Party will work diligently and in good faith to cooperate with PUC and provide to them any and all requested information necessary to effectuate the Transaction.

3. **Acquisition Criteria.** This letter is contingent upon and subject to the following conditions:

- (a.) The successful transfer of all regulatory permits, licenses and CCN service areas from PHWSC to GMWSC necessary for GMWSC to acquire and operate the PHWSC water supply system;
- (b.) GMWSC's receipt of all necessary regulatory, governmental or other approvals necessary to acquire and operate the PHWSC water supply system.
- (c.) The Assets of PHWSC shall be maintained in the same or substantially same condition as they exist as of the date of this correspondence until the time that the Merger Documents are executed;
- (d.) PHWSC remaining free from any TCEQ citations or violations, other than those which may exist as of the date of this correspondence, through the date that the Merger Documents are executed;
- (e.) The conveyance of the Assets to GMWSC shall all be made subject to a general warranty of title; and
- (f.) The conveyance of any real property to GMWSC shall be made by Special Warranty Deed;

4. **Confidential Information.** The Parties agree that all information pertaining to this letter of intent and the proposed Transaction referenced herein is confidential information. The Parties agree to use this information only for the purpose of consummating the Transaction described above and to disclose it only to those persons who need to know it in order to further the actions of the Parties as contemplated herein. Each Party will inform any person to whom it gives the information of its confidential nature. If for any reason the subject Transaction is not consummated, the Parties will return to the disclosing party all documents and materials supplied by the disclosing party. For purposes of this letter, confidential information shall not include information previously known to the Parties or information, which is generally available to the public or becomes available to the public through no fault of the non-disclosing party. These provisions shall survive the termination of this letter.

5. **Best Efforts.** The Parties will negotiate in good faith, and use their best efforts to negotiate a mutually acceptable definitive Merger Documents to be executed and delivered as soon as reasonably practicable after GMWSC's receipt of approval for the Transaction from the PUC.

6. **Exclusive Dealing/Operation of System.** Until termination of this letter, PHWSC shall not enter into any agreement, discussion or negotiation with, or provide information to, any other corporation, firm or other person with respect to the Transaction or the sale or transfer of the Assets to another party not in connection with GMWSC.

Until the Transaction is consummated between the Parties, PHWSC shall continue to operate and maintain its water supply system in accordance with all applicable laws, and further to operate and maintain its water supply system in a manner that is consistent with what is required of a reasonable and prudent operator.

7. **Costs.** GMWSC shall be responsible for all costs associated with the merger of the two entities, save and except any attorney's fees which may be incurred by PHWSC in connection with this Transaction should they choose to retain counsel to represent them herein.

8. **Public Disclosure.** Neither Party, nor its affiliates shall issue any press release or make any public statement concerning the matters covered or contemplated by this letter without the prior written approval of the other Party, except as required by law or applicable regulation.

9. **Authority.** The Parties represent that, as of the date of execution of this letter, they are entities duly authorized, validly existing and in good standing under the laws of the states of their formation/incorporation. The Parties further represent that each signatory hereto has all requisite corporate power and authority to execute, and deliver this letter and its binding commitments.

10. **Governing Law.** This letter and the proposed Merger Documents shall be governed by and interpreted in accordance with the laws of the State of Texas.

11. **Counterparts.** This letter may be executed in a number of counterparts, each of which shall be considered an original for all purposes. However, this letter shall be binding on the Parties only if both Parties execute the agreement.

12. **Termination.** Either Party may terminate this letter if the Merger Documents are not signed on or before the earlier of October 31, 2018 or ten (10) days after the PUC grants their approval for the Transaction contemplated herein.

Please sign and date this letter in the spaces provided below to confirm our mutual understandings and agreements as set forth in this letter. Please return a copy of this letter to me at the address provided above.

Sincerely,

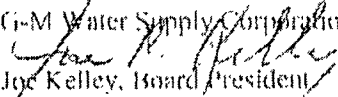
GM Water Supply Corporation

Joe Kelley, Board President

EXHIBIT "A"

(a.) Real Property owned by PHWSC described as:

Pendleton Harbor Lots 263, 264, 265, 266, and 298 (Unit 3 Hide-A-Way Harbor Subdivision, per plat thereof recorded in Vol. 1, Page 110, Plat Records, Sabine County, Texas

(b.) All PHWSC Easements

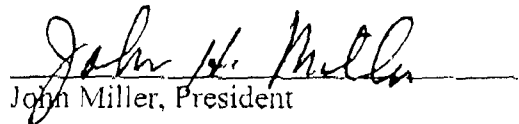
(c.) All PHWSC Cash and Deposit Accounts

(d.) All PHWSC Customer Contracts

(e.) All PHWSC Customer Deposits

(f.) All other real property and personal property of PHWSC deemed by GMWSC as necessary to operate the PHWSC water supply system.

The foregoing Letter of Intent has been reviewed and accepted by Pendleton Harbor Water Supply.


John Miller, President

Date: 12-10-18