



Control Number: 49931



Item Number: 19

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PATTERSON PROFESSIONAL SERVICES
PATTERSON WATER SUPPLY
PATTERSON EXCAVATION & CONSTRUCTION

MARK PATTERSON, PRESIDENT
PATTPROSERV@AOL.COM
903-429-3008

PATTERSON WATER GROUP

9963 U.S. Hwy 377 — P.O. Box 910, Collinsville, TX 76233



Re: Case #49931

To Commissioners,

We at Patterson Water Supply have made numerous attempts to contact Ms. Frame and complete the deposit transfer. We have been unable to reach her by phone or email. We are submitting this letter in place of proof of deposits transferred. It is our belief that the deposits may have been used to pay debts of the utility. We are also submitting a previously signed contract by Ms. Frame and Mark Patterson transferring ownership of the utility to Patterson Water Supply.

Sincerely,

Mark Patterson

President

Patterson Water Supply

WATER SYSTEM OPERATIONS AND TRANSFER AGREEMENT

This Wastewater System Operations and Transfer Agreement (this "Agreement") is entered into effective April 1, 2019 (the "Effective Date") between Patterson Professional Services, LLC ("Patterson"), a Texas limited liability company, and Community Water Service, Inc., a LLC corporation ("CWS"), each acting by and through its undersigned, duly authorized representatives. Patterson and CWS may be individually referred to as "Party" and collectively referred to as the "Parties."

RECITALS

WHEREAS, CWS wishes to immediately divest itself of the water system operation and maintenance functions related to the Daniieldale Community Water Service system located in Dallas County, Texas and the Rocky Point Community system located in Denton County, Texas (the "Systems"), and to transfer all assets to Patterson effective as of the date of Sale, Transfer, and Merger application approval by order of the Public Utility Commission of Texas (the "STM Approval");

WHEREAS, Patterson provides professional water operation and maintenance services and also owns water systems in Texas, and has all licensing required by state and federal regulations related to providing such services; and

WHEREAS, The Parties desire to enter into an agreement by which Patterson will operate the Systems on behalf of CWS during the interim time between the Effective Date of this Agreement and the date of STM Approval in exchange for the revenues generated from customer billings and to acquire the Systems at such time as the STM Approval is received;

THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES, AND THE MUTUAL AGREEMENTS SET FORTH BELOW, PATTERSON AND CWS AGREE AS FOLLOWS:

AGREEMENTS

ARTICLE I.

INTERIM OPERATIONS

1. Recitals. The above recitals are true and correct and are incorporated herein for all purposes.
2. Description of Systems. The Systems are more particularly described in Exhibit A, attached hereto and incorporated herein for all purposes.
3. Interim Operations and Maintenance of Systems. Patterson shall assume all routine operation and maintenance responsibilities for the Systems as of the Effective Date (the "Interim Operations") and ending upon full transfer of the Systems to Patterson upon STM Approval in accordance with Article II. "Routine" shall mean providing the following services during the Interim Operations period:
 - a. Monitoring of Systems, including a 24-hour-per-day response service;
 - b. Provide the personnel, travel, and hand tools necessary for the ordinary daily operations of the Systems;

- c. Perform all inspections, tests, and sampling required by law and respond to inquiries from governmental entities with jurisdiction over the Systems' functions; provided, however, that response to such inquiries from governmental entities does not include any response required under Article I., Section 7;
- d. Operation of the Systems in the ordinary course of business in accordance with applicable rules and laws; and
- e. Supply routine chemicals needed for the Systems' operation.

All other services not specifically delineated under this Section 3 shall be separately billed by Patterson upon the prior written consent by CWS to perform any non-routine service during the Interim Operations period.

- 4. Payment. As consideration for the Interim Operations prior to the transfer set forth in Article III., Patterson shall collect all revenues received from customer billings from the beginning of the billing cycle occurring during the Effective Date. All customer or other payments sent to CWS after the Effective Date that fall within the billing cycle belonging to Patterson shall be mailed or delivered to Patterson within fifteen (15) days of receipt.
- 5. Staffing and Licenses. Patterson will provide qualified personnel to provide the Interim Operations. All employees of Patterson will readily identify themselves when communicating with Hillwood's customers and the general public. Patterson personnel will wear distinctive clothing identifying themselves as employees of Patterson. Patterson will obtain and maintain in effect, at all times during the term of this Agreement, all local, state, and federal licenses, permits, registrations, and other approvals necessary for performing its obligations under this Agreement.
- 6. Records. CWS shall turn over all records related to the Systems within five (5) business days from the Effective Date.
- 7. Regulatory Orders or Violations. If the Texas Commission on Environmental Quality, Public Utility Commission of Texas, or any other regulatory entity having jurisdiction over the Systems issues any form of order or penalty for violations of applicable rules or laws that occurred in any way before the Effective Date, or that occurred due to the operation and maintenance of the Systems prior to the Effective Date, CWS is solely responsible for and will take all necessary action to comply with, or otherwise respond to, any such violation or order and is solely responsible for all fines or penalties connected to any such orders or violations.

ARTICLE II.

TRANSFER OF SYSTEMS UPON STM APPROVAL

- 1. Transfer of System Assets. Immediately upon STM Approval, the Systems described in Exhibit A, including all assets related thereto, shall convey and become the property of Patterson. CWS, including its affiliates, subsidiaries, successors and assigns, specifically grants, sells, assigns, and conveys the following assets to Patterson (the "System Assets") immediately upon STM Approval:
 - a. All personal property, including but not limited to all equipment and tools and appurtenances, related to the Systems in existence as of the STM Approval date;
 - b. All easements, rights-of-way, plans and specifications, warranties, guarantees, and as-built plans of the Systems or CWS;

- c. The lands and all other real property belonging to CWS and to which the Systems are located on;
 - d. All water distribution infrastructure associated with the Systems, together with all and singular the rights, interests, and appurtenances thereto in any wise belonging;
 - e. All cash and other commercial paper on hand related to the Systems, including but not limited to funds held in operation and maintenance accounts; and
 - f. All other such property and assets necessary to own, operate and maintain the Systems in existence as of the STM Approval date.
2. Warranties. CWS warrants and represents to Patterson with regard to the System Assets described in Section 1 of this Article II. that:
- a. it has no knowledge of any title defect;
 - b. its title is free and clear of the rights of persons other than CWS;
 - c. its interest is free and clear of all mechanic's liens, liens, mortgages, or encumbrances of any nature and no work has been performed or begun by CWS, and no materials have been furnished which might give rise to mechanic's, materialman's, or other liens against any of the System Assets, or the title therein, or any portion thereof; and
 - d. that it has neither assigned, pledged, or otherwise in any manner whatsoever sold or agreed to sell or transfer by an instrument in writing or otherwise any System Asset to any other person or entity.
3. Cooperation. CWS agrees to promptly provide all necessary information and assistance to complete the transfer described by this Article II. CWS shall in no way divest itself of any asset related to the Systems during the Interim Operations period without the prior written consent of Patterson.

ARTICLE III. MISCELLANEOUS

1. Term. The Term of this Agreement shall begin on the Effective Date and end upon STM Approval; provided, however that CWS' indemnity, liability, and regulatory responsibilities under Article III., Section 12, and Article II., Section 7, respectively, shall survive termination of this Agreement.
2. Termination. Either Party may terminate this Agreement by immediate written notice if the other has failed to comply with a material term, provided that the non-defaulting party has first given the defaulting party written notice to cure the default within forty five (45) days (the "Cure Period") and the defaulting party has not done so. If a default cannot be cured within the Cure Period, the parties may agree to an extension as long as the defaulting party provides evidence within the Cure Period that it has commenced a cure and is pursuing it diligently. This Agreement may also be terminated in the event STM Approval is denied, or has not occurred within three (3) years from the Effective Date.
3. Independent Contractor. It is understood and agreed that Patterson is retained as and will serve under this Agreement in the capacity of an independent Contractor. Patterson will be responsible for hiring and compensating any personnel which Patterson deems necessary or

operations thereof by CWS' conduct related thereto. In the event of Patterson's negligence or willful misconduct, Patterson shall so indemnify CWS, to the extent allowable by law. Except as otherwise provided herein, CWS shall be solely responsible for all claims, actions, and liabilities related to the operation and maintenance of the Systems prior to the STM Approval and full transfer of the Systems to Patterson under Article II. of this Agreement.

13. No Partnership. No provisions of this Agreement shall be deemed or construed to constitute a partnership or joint venture.
14. No Third Party Beneficiary. The Parties agree that the Agreement only affects matters between the Parties to this Agreement, and is in no way intended by the Parties to benefit or otherwise affect any third person or entity.
15. Multiple Counterparts. This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[SIGNATURE PAGES TO FOLLOW]

appropriate in carrying out its duties hereunder.

4. Entire Agreement and Assignment. This Agreement constitutes the entire agreement of the Parties. Neither Party may assign this Agreement or any portion hereof without receiving the prior written consent of the other Party.
5. Notices. All notices given under this Agreement must be in writing and must be personally delivered or dispatched by United States certified mail, postage prepaid, return receipt requested, to the addresses shown at the end of this Agreement. Either party may change the address to which notice is to be addressed by giving notice in writing to the other party of the change. Any time limitation provided for in this Agreement will commence with the date that the party actually receives written notice, and the date of postmark of any return receipt indicating the date of delivery of notice to the addressee will be conclusive evidence of receipt.
6. Amendments. No subsequent alteration, amendment, change, deletion or addition to this Agreement will be binding unless made in writing and signed by both Parties.
7. Applicable Law and Venue. This Agreement will be construed under and in accordance with the laws of the State of Texas. Venue shall lie in Grayson County, Texas.
8. Construction. Whenever used herein the singular number shall include the plural and the plural number shall include the singular. Whenever used herein the masculine gender shall include the feminine and neuter genders and the neuter gender shall refer to any gender. Section headings used in this Agreement are intended for convenience only and not necessarily to describe the intent of a particular Section and therefore shall not be construed as limiting the effect of any provision of this Agreement. This Agreement shall be deemed drafted equally by all Parties hereto. The language of all parts of this Agreement shall be construed as a whole according to its fair meaning, and any presumptions or principle that the language herein is to be construed against any Party shall not apply.
9. Severability. The provisions of this Agreement are severable, and if any provision or part herein or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such provision or part of this Agreement to other persons or circumstances shall not be affected thereby.
10. Waiver. No failure on the part of either Party to this Agreement to require the performance by the other of any portion of this Agreement shall in any way affect either Party's right to enforce such provision, nor shall any waiver by either Party be taken or held to be a waiver of any other provision. No rights under this Agreement may be waived and no modification or amendment to this Agreement may be made except by separate written agreement executed by both Parties.
11. Force Majeure. Except for an obligation of payment, a Party shall be excused for the period of any delay in the performance of an obligations hereunder when prevented from doing so by cause or causes beyond a Party's absolute control, which shall include, without limitation, all labor disputes, civil commotion, civil disorder, riot, civil disturbance, war, war-like operations, invasion, rebellion, hostilities, military or usurped power, sabotage, governmental regulations, orders, moratoriums or controls, fire or other casualty, inability to obtain any material, services or financing or Acts of God.
12. Indemnification and Liability. To the extent permitted by law, CWS shall indemnify, defend and hold Patterson harmless against any claim of liability or loss which may arise out of CWS' knowing, negligent, or willful misconduct in connection with the Systems or related property, or any conditions created by the Systems or the

EXECUTED on the date or dates indicated below, to be effective as of the Effective Date:

PATTERSON:

**PATTERSON PROFESSIONAL SERVICES,
LLC**

By: Mark Patterson, President

Date: 4/1/2019

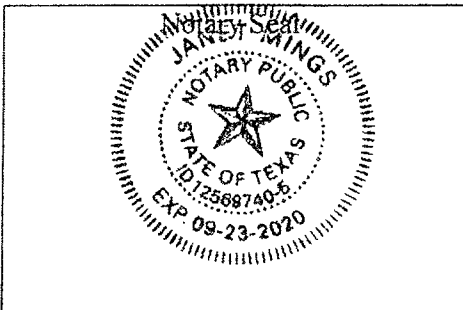
Address: P.O. Box 910
9963 U.S. 377 North
Collinsville, TX 76233

ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF Grayson

I certify that I know or have satisfactory evidence that Mark Patterson is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the President of Patterson Professional Services, LLC to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: 4/1/2019



Janet Mings
(Signature of Notary)
Janet Mings
(Legibly Print or Stamp Name of Notary)
Notary Public in and for the State of
Texas
My appointment expires: 09-23-2020

CWS:

Community Water Service, Inc.

By: Bonnie Frame
Bonnie Frame, President

Date: 4/3/2019

Address: P.O. Box 850155
Mesquite, Texas 75185-0155

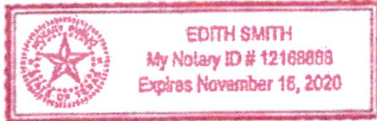
ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF Dallas

I certify that I know or have satisfactory evidence that Bonnie Frame is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the President of Community Water Service, Inc. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: 04/03/19

Notary Seal



Edith E. Smith
(Signature of Notary)
EDITH E. SMITH
(Legibly Print or Stamp Name of Notary)
Notary Public in and for the State of
TEXAS
My appointment expires: 11-16-20

EXHIBIT A

The Systems described in the Agreement shall include the following:

1. Danieldale Community Water Service
Public Water System ID No: TX0570044
RN No.: RN101209492
Location: Dallas County, Texas
[INSERT ANY REAL PROPERTY INFO. HERE]

2. Rocky Point Community
Public Water System ID No: TX0610041
RN No.: RN101268100
Location: Denton County, Texas.
Property owned pursuant to that Warranty Deed dated October 19, 1973, Volume 690, Page 112 of the Denton County Real Property Records.