

Control Number: 50038



Item Number: 1

Addendum StartPage: 0

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50088

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

Pursuant to Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.109

Sale, Transfer, or Merger (STM) Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, the Applicant should:
 - i. Provide an answer to every question and submit any required attachment applicable to the STM request (i.e., agreements or contracts).
 - ii. Use attachments or additional pages to answer questions as necessary. If you use attachments or additional pages, reference their inclusion in the form.
 - iii. Provide all mapping information as detailed in Part G: Mapping & Affidavits.
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
 - i. **SEND TO:** Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (**NOTE: Electronic documents may be sent in advance of the paper copy, however they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records.**)
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
 - i. **DEFICIENT (Administratively Incomplete):** Applicants will be ordered to provide information to cure the deficiencies by a certain date, usually 30 days from ALJ's order. **Application is not accepted for filing.**
 - ii. **SUFFICIENT (Administratively Complete):** Applicants will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. **Application is accepted for filing.**
- IV. Once the Applicants issue notice, a copy of the actual notice sent and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may request a hearing on the merits.

HEARING ON THE MERITS: An affected party may request a hearing within 30 days of notice. In this event, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
- V. **TRANSACTION TO PROCEED:** at any time following the provision of notice, or prior to 120 days from the last date that proper notice was given, Commission Staff will file a recommendation for the transaction to proceed as proposed or recommend that the STM be referred to SOAH for further investigation. The Applicants will be required to file an update in the docket to the ALJ every 30 days following the approval of the transaction. The transaction must be completed within six (6) months from the ALJ's order (Note: The Applicants may request an extension to the 6 month provision for good cause).
- VI. **FILE:** Seven (7) copies of completed transaction documents and documentation addressing the transfer or disposition of any outstanding deposits. After receiving all required documents from the Applicants, the application will be granted a procedural schedule for final processing. The Applicants are requested to consent in writing to the proposed maps and certificates, or tariff if applicable.
- VII. **FINAL ORDER:** The ALJ will issue a final order issuing or amending the applicable CCNs.

FAQ:

Who can use this form?

Any retail public utility that provides water or wastewater service in Texas.

Who is required to use this form?

A retail public utility that is an investor owned utility (IOU) or a water supply corporation (WSC) prior to any STM of a water or sewer system, or utility, or prior to the transfer of a portion of a certificated service area.

Terms

Transferor: Seller

Transferee: Purchaser

CCN: Certificate of Convenience and Necessity

STM: Sale, Transfer, or Merger

IOU: Investor Owned Utility

Application Summary

Transferor:
(selling entity)

Fred McCoy

CCN No.s:

12042



Sale



Transfer



Merger



Consolidation



Lease/Rental

Transferee:
(acquiring entity)

Stephen P. Krebs

CCN No.s:

12042



Water



Sewer



All CCN



Portion CCN



Facilities transfer

County(ies):

Liberty

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Please mark the items included in this filing

- ☐ Contract, Lease, Purchase, or Sale Agreement
- ☐ Tariff including Rate Schedule
- ☐ List of Customer Deposits
- ☐ Partnership Agreement
- ☐ Articles of Incorporation and By-Laws (WSC)
- ☐ Certificate of Account Status
- ☐ Financial Audit
- ☐ Application Attachment A & B
- ☐ Disclosure of Affiliated Interests
- ☐ Capital Improvement Plan
- ☐ List of Assets to be Transferred
- ☐ Developer Contribution Contracts or Agreements
- ☐ Enforcement Action Correspondence
- ☐ TCEQ Compliance Correspondence
- ☐ TCEQ Engineering Approvals
- ☐ Purchased Water Supply or Treatment Agreement
- ☐ Detailed (large scale) Map
- ☐ General Location (small scale) Map
- ☐ Digital Mapping Data
- ☐ Signed & Notarized Oath

- Part A: Question 1
- Part B: Question 4
- Part B: Question 5
- Part C: Question 7
- Part C: Question 7
- Part C: Question 7
- Part C: Question 10
- Part C: Question 10
- Part C: Question 10
- Part C: Question 10
- Part D: 11.B
- Part D: 11.D
- Part E: Question 18 (Part D: Q12)
- Part F: Question 22
- Part F: Question 24
- Part F: Question 26
- Part G: Question 29
- Part G: Question 29
- Part G: Question 29
- Page 13-14

Part A: General Information

1. Describe the proposed transaction, including the effect on all CCNs involved, and provide details on the existing or expected land use in the area affected by the proposed transaction. Attach all supporting documentation, such as a contract, a lease, or proposed purchase agreements:

Attached warranty deed. EHU is taking over as owner + operator for Gum Island utility.

2. The proposed transaction will require (check all applicable):

For **Transferee** (Purchaser) CCN:

- ☐ Obtaining a NEW CCN for Purchaser
☐ Transfer all CCN into Purchaser's CCN (Merger)
☐ Transfer Portion of CCN into Purchaser's CCN
☒ Transfer all CCN to Purchaser and retain Seller CCN
☐ Uncertificated area added to Purchaser's CCN

For **Transferor** (Seller) CCN:

- ☐ Cancellation of Seller's CCN
☐ Transfer of a Portion of Seller's CCN to Purchaser
☐ Only Transfer of Facilities, No CCN or Customers
☐ Only Transfer of Customers, No CCN or Facilities
☐ Only Transfer CCN Area, No Customers or Facilities

Part B: Transferor Information

Questions 3 through 5 apply only to the **transferor** (current service provider or seller)

3. A. Name: Fred McCoy
(individual, corporation, or other legal entity)
☒ Individual ☐ Corporation ☐ WSC ☐ Other: _____

B. Mailing Address: 133 CR 4805
Dayton, TX 77535

Phone: _____ Email: _____

- C. **Contact Person.** Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.

Name: Hannah Krebs Title: Records Coordinator
Mailing Address: 11015 Sheldon Rd #102 Houston, TX 77044
Phone: (409) 277-1087 Email: hannahrcehu@gmail.com

4. If the utility to be transferred is an Investor Owned Utility (IOU), for the most recent rate change, attach a copy of the current tariff and complete A through B: N/A

A. Effective date for most recent rates: _____

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

☐ No ☐ Yes Application or Docket Number: _____

If the transferor is a Water Supply or Sewer Service Corporation, provide a copy of the current tariff.

5. For the customers that will be transferred following the approval of the proposed transaction, check all that apply:

☐ There are no customers that will be transferred

☒ # of customers without deposits held by the transferor

28

☐ # of customers with deposits held by the transferor*

* Attach a list of all customers affected by the proposed transaction that have deposits held, and include a customer indicator (name or account number), date of each deposit, amount of each deposit, and any unpaid interest on each deposit.

Part C: Transferee Information

Questions 6 through 10 apply only to the transferee (purchaser or proposed service provider)

6. A. Name: EAST HOUSTON UTILITIES, INC.

(individual, corporation, or other legal entity)

☐ Individual

☒ Corporation

☐ WSC

☐ Other:

B. Mailing Address:

11015 Sheldon Rd Ste 102

HOUSTON, TX 77044

Phone:

281-456-0883

Email:

spkrebs95@yahoo.com

C. **Contact Person.** Provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.

Name:

Hannah Krebs

Title:

Records Coordinator

Address:

11015 Sheldon Rd #102 HOUSTON, TX 77044

Phone:

281-456-0883

Email:

hannahrcenu@gmail.com

D. If the transferee is someone other than a municipality, is the transferee current on the Regulatory Assessment Fees (RAF) with the Texas Commission on Environmental Quality (TCEQ)?

☐ No

☒ Yes

☐ N/A

E. If the transferee is an IOU, is the transferee current on the Annual Report filings with the Commission?

☐ No

☐ Yes

☒ N/A

7. The legal status of the transferee is:

☐ Individual or sole proprietorship

☐ Partnership or limited partnership (attach Partnership agreement)

☒ Corporation

Charter number (as recorded with the Texas Secretary of State):

EIN# 45-2837275

☐ Non-profit, member-owned, member controlled Cooperative Corporation [Article 1434(a) Water Supply or Sewer Service Corporation, incorporated under TWC Chapter 67]

Charter number (as recorded with the Texas Secretary of State):

☐ Articles of Incorporation and By-Laws established (attach)

☐ Municipally-owned utility

☐ District (MUD, SUD, WCID, FWSD, etc.)

<input type="checkbox"/> County <input type="checkbox"/> Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies) <input type="checkbox"/> Other (please explain): _____	
8. If the transferee operates under any d/b/a, provide the name below: Name: <u>Krebs Utilities</u>	
9. If the transferee's legal status is anything other than an individual, provide the following information regarding the officers, members, or partners of the legal entity applying for the transfer: <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> Name: <u>East Houston Utilities / Stephen Krebs</u> Position: <u>owner</u> Address: <u>11015 Shepherd Rd #102 Houston TX 77044</u> Phone: <u>281-456-0883</u> </div> <div style="width: 50%;"> Ownership % (if applicable): <u>0.00% 100%</u> Email: <u>spkreb95@yahoo.com</u> </div> </div> <div style="margin-top: 10px;"> Name: _____ Position: _____ Address: _____ Phone: _____ Ownership % (if applicable): <u>0.00%</u> Email: _____ </div> <div style="margin-top: 10px;"> Name: _____ Position: _____ Address: _____ Phone: _____ Ownership % (if applicable): <u>0.00%</u> Email: _____ </div> <div style="margin-top: 10px;"> Name: _____ Position: _____ Address: _____ Phone: _____ Ownership % (if applicable): <u>0.00%</u> Email: _____ </div>	
10. <u>Financial Information</u> The transferee Applicant must provide accounting information typically included within a balance sheet, income statement, and statement of cash flows. If the Applicant is an existing retail public utility, this must include historical financial information and projected financial information. However, projected financial information is only required if the Applicant proposes new service connections and new investment in plant, or if requested by Staff. If the Applicant is a new market entrant and does not have its own historical balance sheet, income statement, and statement of cash flows information, then the Applicant should establish a five-year projection taking the historical information of the transferor Applicant into consideration when establishing the projections. <u>Historical Financial Information may be shown by providing any combination of the following that includes necessary information found in a balance sheet, income statement, and statement of cash flows:</u> <ol style="list-style-type: none"> 1. Completed Appendix A; 2. Documentation that includes all of the information required in Appendix A in a concise format; or 3. Audited financial statements issued within 18 months of the application filing date. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal. 	

Projected Financial Information may be shown by providing any of the following:

1. Completed Appendix B;
2. Documentation that includes all of the information required in Appendix B in a concise format;
3. A detailed budget or capital improvement plan, which indicates sources and uses of funds required, including improvements to the system being transferred; or
4. A recent budget and capital improvements plan that includes information needed for analysis of the operations test (16 Tex. Admin. Code § 24.11(e)(3)) for the system being transferred and any operations combined with the system. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

Part D: Proposed Transaction Details

11. A.

Proposed Purchase Price: \$ 2,000.00

If the transferee Applicant is an investor owned utility (IOU) provide answers to B through D.

B. Transferee has a copy of an inventory list of assets to be transferred (*attach*):

☐ No ☐ Yes ☐ N/A

Total Original Cost of Plant in Service: \$ _____

Accumulated Depreciation: \$ _____

Net Book Value: \$ _____

C. **Customer contributions in aid of construction (CIAC):** Have the customers been billed for any surcharges approved by the Commission or TCEQ to fund any assets currently used and useful in providing utility service? Identify which assets were funded, or are being funded, by surcharges on the list of assets.

☐ No ☐ Yes

Total Customer CIAC: \$ _____

Accumulated Amortization: \$ _____

D. **Developer CIAC:** Did the transferor receive any developer contributions to pay for the assets proposed to be transferred in this application? If so, identify which assets were funded by developer contributions on the list of assets and provide any applicable developer agreements.

☐ No ☐ Yes

Total developer CIAC: \$ _____

Accumulated Amortization: \$ _____

12. A. Are any improvements or construction required to meet the minimum requirements of the TCEQ or Commission and to ensure continuous and adequate service to the requested area to be transferred plus any area currently certificated to the transferee Applicant? Attach supporting documentation and any necessary TCEQ approvals, if applicable.

☒ No ☐ Yes

B. If yes, describe the source and availability of funds and provide an estimated timeline for the construction of any planned or required improvements:

na

13. Provide any other information concerning the nature of the transaction you believe should be given consideration:

na

14. Complete the following proposed entries (listed below) as shown in the books of the Transferee (purchaser) after the acquisition. Debits (positive numbers) should equal credits (negative numbers) so that all line items added together equal zero. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations:

Utility Plant in Service: \$ _____

Accumulated Depreciation of Plant: \$ _____

Cash: \$ _____

Notes Payable: \$ _____

Mortgage Payable: \$ _____

(Proposed) Acquisition Adjustment*: \$ _____

*Acquisition Adjustments will be subject to review under 16 TAC § 24.31(d) and (e)

Other (NARUC account name & No.): _____

Other (NARUC account name & No.): _____

15. A. Explain any proposed billing change (NOTE: If the acquiring entity is an IOU, the IOU may not change the rates charged to the customers through this STM application. Rates can only be changed through the approval of a rate change application.)

Change rates from \$23.⁰⁰/5,000 gals to \$54.⁰⁰/5,000 gals.

B. If transferee is an IOU, state whether or not the transferee intends to file with the Commission, or an applicable municipal regulatory authority, an application to change rates for some or all of its customers as a result of the transaction within the next twelve months. If so, provide details below:

na

Part E: CCN Obtain or Amend Criteria Considerations

16. Describe, in detail, the anticipated impact or changes in the quality of retail public utility service in the requested area as a result of the proposed transaction:

No changes.

17. Describe the transferee's experience and qualifications in providing continuous and adequate service. This should include, but is not limited to: other CCN numbers, water and wastewater systems details, and any corresponding compliance history for all operations.

Started company 1997.
OTHER CCN #'S:

18. Has the transferee been under an enforcement action by the Commission, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG), or the Environmental Protection Agency (EPA) in the past five (5) years for non-compliance with rules, orders, or state statutes? Attach copies of any correspondence with the applicable regulatory agency(ies)



No



Yes

19. Explain how the environmental integrity or the land will be impacted or disrupted as a result of the proposed transaction:

No change.

20. How will the proposed transaction serve the public interest?

We will be able to provide quality water and adequate pressure and quantity to customers.

21. List all neighboring water or sewer utilities, cities, districts (including ground water conservation districts), counties, or other political subdivisions (including river authorities) providing the same service within two (2) miles from the outer boundary of the requested area affected by the proposed transaction:

Part F: TCEQ Public Water System or Sewer (Wastewater) Information

**Complete Part F for EACH Public Water or Sewer system to be transferred subject to approval of the transaction.
Attach a separate sheet with this information if you need more space for additional systems being transferred.**

22. A. For Public Water System (PWS):

TCEQ PWS Identification Number: 1460061 (7 digit ID)

Name of PWS: Gum Island Utility

Date of last TCEQ compliance inspection: 7/2/2019 (attach TCEQ letter)

Subdivisions served: 1

B. For Sewer service:

TCEQ Water Quality (WQ) Discharge Permit Number: WQ - (8 digit ID)

Name of Wastewater Facility: N/A

Name of Permittee: _____

Date of last TCEQ compliance inspection: _____ (attach TCEQ letter)

Subdivisions served: _____

Date of application to transfer permit submitted to TCEQ: _____

23. List the number of existing connections, by meter/connection type, to be affected by the proposed transaction:

Water			Sewer		
	Non-metered			Residential	
	5/8" or 3/4"	<u>28</u>		Commercial	
	1"			Industrial	
	1 1/2"			Other	
Total Water Connections:			Total Sewer Connections:		

24. A. Are any improvements required to meet TCEQ or Commission standards?

☒ No ☐ Yes

B. Provide details on each required major capital improvement necessary to correct deficiencies to meet the TCEQ or Commission standards (attach any engineering reports or TCEQ approval letters): n/a

Description of the Capital Improvement:	Estimated Completion Date:	Estimated Cost:

C. Is there a moratorium on new connections?

☒ No ☐ Yes:

25. Does the system being transferred operate within the corporate boundaries of a municipality?

☒ No ☐ Yes: _____ (name of municipality)

If yes, indicate the number of customers within the municipal boundary.

Water: _____ Sewer: _____

26. A. Does the system being transferred purchase water or sewer treatment capacity from another source?

☒ No ☐ Yes: If yes, attach a copy of purchase agreement or contract.

Capacity is purchased from:

Na

Water:

Sewer:

B. Is the PWS required to purchase water to meet capacity requirements or drinking water standards?

☒ No ☐ Yes

C. What is the amount of water supply or sewer treatment purchased, per the agreement or contract? What is the percent of overall demand supplied by purchased water or sewer treatment (if any)?

N/A

	Amount in Gallons	Percent of demand
Water:		0.00%
Sewer:		0.00%

D. Will the purchase agreement or contract be transferred to the Transferee?

☐ No ☒ Yes:

27. Does the PWS or sewer treatment plant have adequate capacity to meet the current and projected demands in the requested area?

☐ No ☒ Yes:

28. List the name, class, and TCEQ license number of the operator that will be responsible for the operations of the water or sewer utility service:

Name (as it appears on license)	Class	License No.	Water or Sewer
<i>Stephen Krebs</i>	<i>D</i>	<i>WO 0017879</i>	<i>Water</i>

Part G: Mapping & Affidavits

ALL applications require mapping information to be filed in conjunction with the STM application.

Read question 29 A and B to determine what information is required for your application.

29. A. For applications requesting to transfer an entire CCN, without a CCN boundary adjustment, provide the following mapping information with each of the seven (7) copies of the application:

1. A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The following guidance should be adhered to:
 - i. If the application requests to transfer certificated service areas for both water and sewer, separate maps must be provided for each.
 - ii. A hand drawn map, graphic, or diagram of the requested area is not considered an acceptable mapping document.

- iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.

- 2. A detailed (large scale) map identifying the requested area in reference to verifiable man-made and natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:
 - i. The map must be clearly labeled and the outer boundary of the requested area should be marked in reference to the verifiable man-made or natural landmarks. These verifiable man-made or natural landmarks must be labeled and marked on the map as well.
 - ii. If the application requests an amendment for both water and sewer certificated service area, separate maps need to be provided for each.
 - iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
 - iv. The outer boundary of the requested area should not be covered by any labels, roads, city limits or extraterritorial jurisdiction (ETJ) boundaries.

- B. For applications that are requesting to include area not currently within a CCN, or for applications that require a CCN amendment (any change in a CCN boundary), such as the transfer of only a portion of a certificated service area, provide the following mapping information with each of the seven (7) copies of the application:
 - 1. A general location (small scale) map identifying the requested area with enough detail to locate the requested area in reference to the nearest county boundary, city, or town. Please refer to the mapping guidance in part A 1 (above).
 - 2. A detailed (large scale) map identifying the requested area with enough detail to accurately locate the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, or railroads. Please refer to the mapping guidance in part A 2 (above).
 - 3. One of the following identifying the requested area:
 - i. A metes and bounds survey sealed or embossed by either a licensed state land surveyor or a registered professional land surveyor. Please refer to the mapping guidance in part A 2 (above);
 - ii. A recorded plat. If the plat does not provide sufficient detail, Staff may request additional mapping information. Please refer to the mapping guidance in part A 2 (above); or
 - iii. Digital mapping data in a shapefile (SHP) format georeferenced in either NAD 83 Texas State Plane Coordinate System (US Feet) or in NAD 83 Texas Statewide Mapping System (Meters). The digital mapping data shall include a single, continuous polygon record. The following guidance should be adhered to:
 - a. The digital mapping data must correspond to the same requested area as shown on the general location and detailed maps. The requested area must be clearly labeled as either the water or sewer requested area.
 - b. A shapefile should include six files (.dbf, .shp, .shx, .sbx, .sbn, and the projection (.prj) file).
 - c. The digital mapping data shall be filed on a data disk (CD or USB drive), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.

Part H: Notice Information

The following information will be used to generate the proposed notice for the application.
DO NOT provide notice of the application until it is found sufficient and the Applicants are ordered to provide notice.

30. Complete the following using verifiable man-made or natural landmarks such as roads, rivers, or railroads to describe the requested area (to be stated in the notice documents). Measurements should be approximated from the outermost boundary of the requested area:

The total acreage of the requested area is approximately: 0.0911 acres

Number of customer connections in the requested area: 28

Affected subdivision: Whitewing

The closest city or town: Liberty, TX

Approximate mileage to closest city or town center: _____

Direction to closest city or town: _____

The requested area is generally bounded on the North by: _____

on the East by: _____

on the South by: _____

on the West by: _____

31. A copy of the proposed map will be available at: sent w/ app.

32. What effect will the proposed transaction have on an average bill to be charged to the affected customers? Take into consideration the average consumption of the requested area, as well as any other factors that would increase or decrease a customer's monthly bill.

☐ All of the customers will be charged the same rates they were charged before the transaction.

☒ All of the customers will be charged different rates than they were charged before the transaction.

☒ higher monthly bill ☐ lower monthly bill

☐ Some customers will be charged different rates than they were charged before
(i.e. inside city limit customers)

☐ higher monthly bill ☐ lower monthly bill

Oath for Transferor (Transferring Entity)

STATE OF _____

COUNTY OF _____

I, _____

being duly sworn, file this application for sale,
transfer,

merger, consolidation, acquisition, lease, or
rental, as

(owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have provided to the purchaser or transferee a written disclosure statement about any contributed property as required under Texas Water Code § 13.301(j) and copies of any outstanding enforcement Orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas, or Attorney General and have also complied with the notice requirements in Texas Water Code § 13.301(k).

AFFIANT

(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas

this day the _____ of _____, 20 _____

SEAL

**NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS**

PRINT OR TYPE NAME OF NOTARY

My commission expires: _____

Oath for Transferee (Acquiring Entity)

STATE OF Texas

COUNTY OF Harris

I, Hannah Krebs

merger, consolidation, acquisition, lease, or rental, as

being duly sworn, file this application for sale, transfer,

authorized representative of EHU, Inc.
(owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have been provided with a copy of the 16 TAC § 24.109 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

Hannah Krebs

AFFIANT

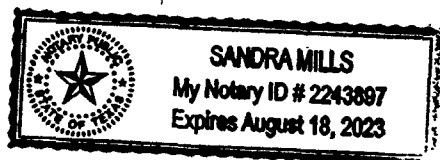
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas

this day the 16th of Sept, 2014

SEAL



Sandra Mills

**NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS**

PRINT OR TYPE NAME OF NOTARY

My commission expires:

Sandra Mills

8-18-23

DONT know

Appendix A: Historical Financial Information (Balance Sheet and Income Schedule)

(Audited financial statements may be substituted for this schedule – see Item 17 of the instructions)

HISTORICAL BALANCE SHEETS (ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Other						
A. Total Current Assets						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
B. Total Fixed Assets						
C. TOTAL Assets (A + B)						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
D. Total Current Liabilities						
LONG TERM LIABILITIES						
Notes Payable, Long-term						
Other						
E. Total Long Term Liabilities						
F. TOTAL LIABILITIES (D + E)						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
G. TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES+EQUITY (F + G) = C						
WORKING CAPITAL (A - D)						
CURRENT RATIO (A / D)						
DEBT TO EQUITY RATIO (E / G)						

DO NOT INCLUDE ATTACHMENTS A OR B IN FILED APPLICATION IF LEFT BLANK

HISTORICAL NET INCOME INFORMATION						
(ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
METER NUMBER						
Existing Number of Taps	28					
New Taps Per Year	0					
Total Meters at Year End						
METER REVENUE						
Revenue per Meter (use for projections)						
Expense per Meter (use for projections)						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Revenues- Base Rate & Gallonage Fees						
Other (Tap, reconnect, transfer fees, etc)						
Gross Income						
EXPENSES						
General & Administrative (see schedule)						
Operating (see schedule)						
Interest						
Other (list)						
NET INCOME						

HISTORICAL EXPENSE INFORMATION (ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries & Benefits—Office/Management						
Office (services, rentals, supplies, electricity)						
Contract Labor						
Transportation						
Insurance						
Telephone						
Utilities						
Property Taxes						
Professional Services/Fees (recurring)						
Regulatory- other						
Other (describe)						
Interest						
Other						
Total General Admin. Expenses (G&A)						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATIONS & MAINTENANCE EXPENSES						
Salaries & Benefits (Employee, Management)						
Materials & Supplies						
Utilities Expense-office						
Contract Labor						
Transportation Expense						
Depreciation Expense						
Other(describe)						
Total Operational Expenses (O&M)						
Total Expense (Total G&A + O&M)						
Historical % Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ASSUMPTIONS						
Interest Rate/Terms						
Depreciation Schedule (attach)						
Other assumptions/information (List all)						

Appendix 3: Projected Information

HISTORICAL BALANCE SHEETS (ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
A. Total Current Assets						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
B. Total Fixed Assets						
C. TOTAL Assets (A + B)						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
D. Total Current Liabilities						
LONG TERM LIABILITIES						
Notes Payable, Long-term						
Other						
E. Total Long Term Liabilities						
F. TOTAL LIABILITIES (D + E)						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
G. TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES+EQUITY (F + G) = C						
WORKING CAPITAL (A - D)						
CURRENT RATIO (A / D)						
DEBT TO EQUITY RATIO (F / G)						

PROJECTED NET INCOME INFORMATION						
(ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Revenue per Meter (use for projections)						
Expense per Meter (use for projections)						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Revenues- Base Rate & Gallonage Fees						
Other (Tap, reconnect, transfer fees, etc)						
Gross Income						
EXPENSES						
General & Administrative (see schedule)						
Operating (see schedule)						
Interest						
Other (list)						
NET INCOME						

PROJECTED EXPENSE DETAIL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office						
Computer						
Auto						
Insurance						
Telephone						
Utilities						
Depreciation						
Property Taxes						
Professional Fees						
Interest						
Other						
Total						
% Increase Per projected Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATIONAL EXPENSES						
Salaries						
Auto						
Utilities						
Depreciation						
Repair & Maintenance						
Supplies						
Interest						
Other						
Total						

PROJECTED SOURCES AND USES OF CASH STATEMENTS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income						
Depreciation (If funded by revenues of system)						
Loan Proceeds						
Other						
Total Sources						
USES OF CASH						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
Total Uses						
NET CASH FLOW						
DEBT SERVICE COVERAGE						
Cash Available for Debt Service (CADS)						
A: Net Income (Loss)						
B: Depreciation, or Reserve Interest						
C: Total CADS (A + B = C)						
D: DEBT SERVICE (DS)						
Principle Plus Interest						
E: DEBT SERVICE COVERAGE RATIO						
CADS Divided by DS (E = C / D)						

EXHIBIT "A"

STATE OF TEXAS

COUNTY OF LIBERTY

FIELD NOTES of a 0.0911 acre or 3969 square foot tract or parcel of land out of and a part of a called 10.86 acre tract shown as RESERVE B on the Plat of Whitewing Subdivision, Section 1, recorded in Volume B, Page 153, Map Records of Liberty County, Texas, located in the C. C. BRUNSON SURVEY, Abstract 741, Liberty County, Texas, and said 0.0911 acre tract is more particularly described as follows:

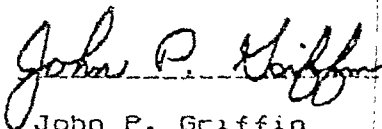
BEGINNING at a 1/2 inch iron rod over which we set a 1 inch galvanized iron pipe found at the northwest corner of the said RESERVE B, in the south line of Whitewing Road, the northeast corner of Lot 1, of said Section 1, Whitewing Subdivision, for the northwest corner of this herein described tract of land, and the PLACE OF BEGINNING;

THENCE on an assumed bearing of North 80 degrees 33 minutes 34 seconds East, along and with the north line of the said RESERVE B and the south line of Whitewing Road, a distance of 55.17 feet to a 1 inch galvanized iron pipe set for the northeast corner of this tract;

THENCE South 04 degrees 57 minutes 00 seconds East, parallel with the west line of said RESERVE B, a distance of 74.32 feet to a 1 inch galvanized iron pipe set for the southeast corner of this tract;

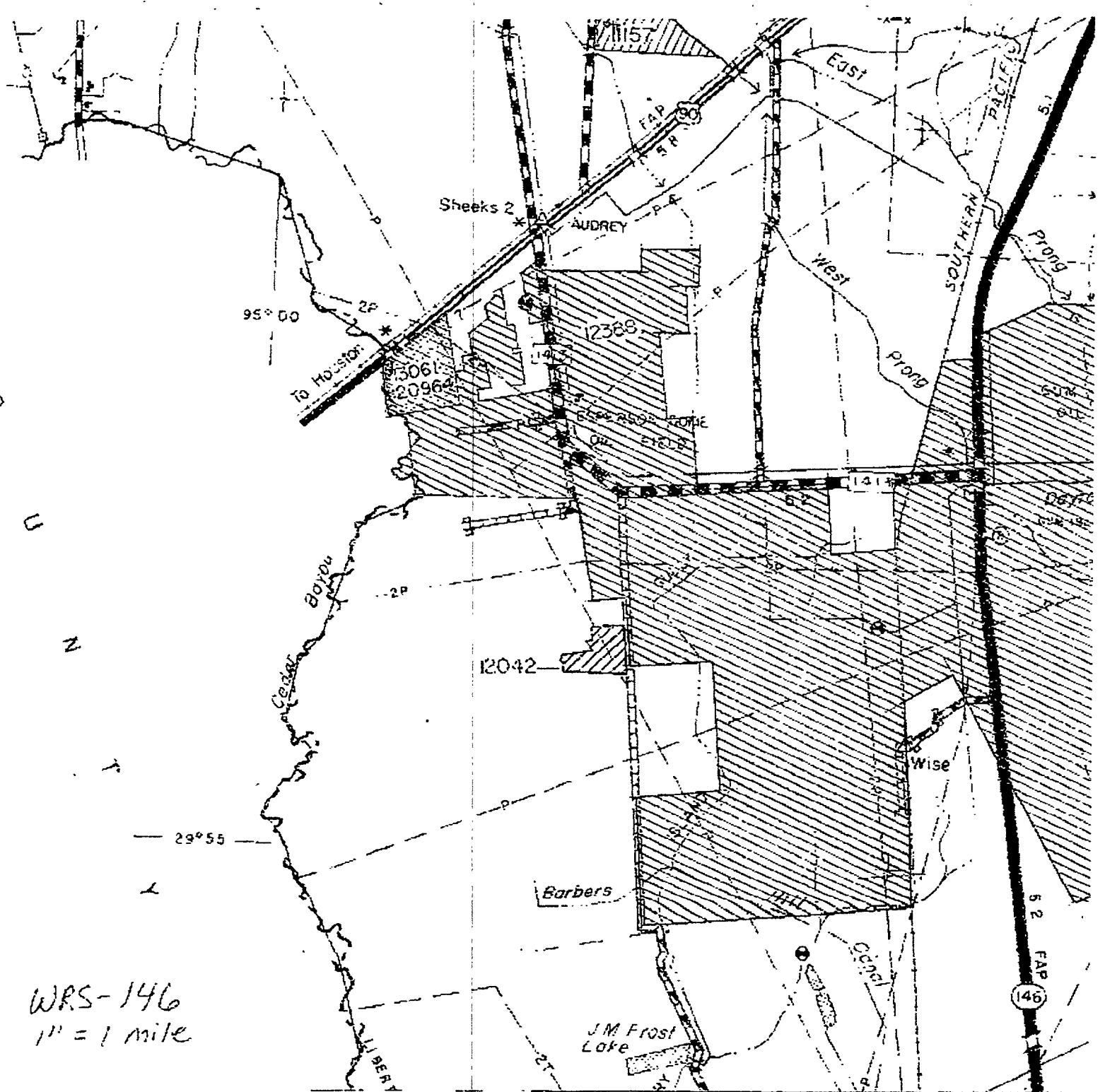
THENCE South 85 degrees 03 minutes 00 seconds West, a distance of 55.00 feet to a 1 inch galvanized iron pipe set in the west line of the said RESERVE B, for the southwest corner of this tract;

THENCE North 04 degrees 57 minutes 00 seconds West, along and with the said west line of RESERVE B, a distance of 70.00 feet to the PLACE OF BEGINNING containing 0.0911 acres or 3969 square feet of land.



John P. Griffin
Registered Public Surveyor No. 2032

EXHIBIT "B"



Paul A. McCoy

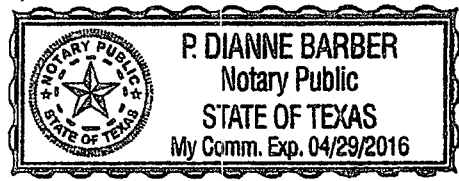
PAUL ARTHUR MCCOY, as Co-Trustee of the David W. McCoy Living Trust and as Independent Co-Executor of the Estate of Barbara Z. McCoy, Deceased

Ann McCoy

ANN MCCOY, as Independent Co-Executor of the Estate of Barbara Z. McCoy, Deceased

THE STATE OF TEXAS §
COUNTY OF MCLENNAN §

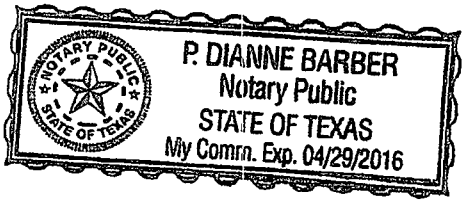
This instrument was acknowledged before me on the 12th day of September, 2014, by PAUL ARTHUR MCCOY, as Co-Trustee of the David W. McCoy Living Trust and as Independent Co-Executor of the Estate of Barbara Z. McCoy, deceased.



P. Dianne Barber
Notary Public, State of Texas

THE STATE OF TEXAS §
COUNTY OF MCLENNAN §

This instrument was acknowledged before me on the 12th day of September, 2014, by ANN MCCOY, as Independent Co-Executor of the Estate of Barbara Z. McCoy, deceased.



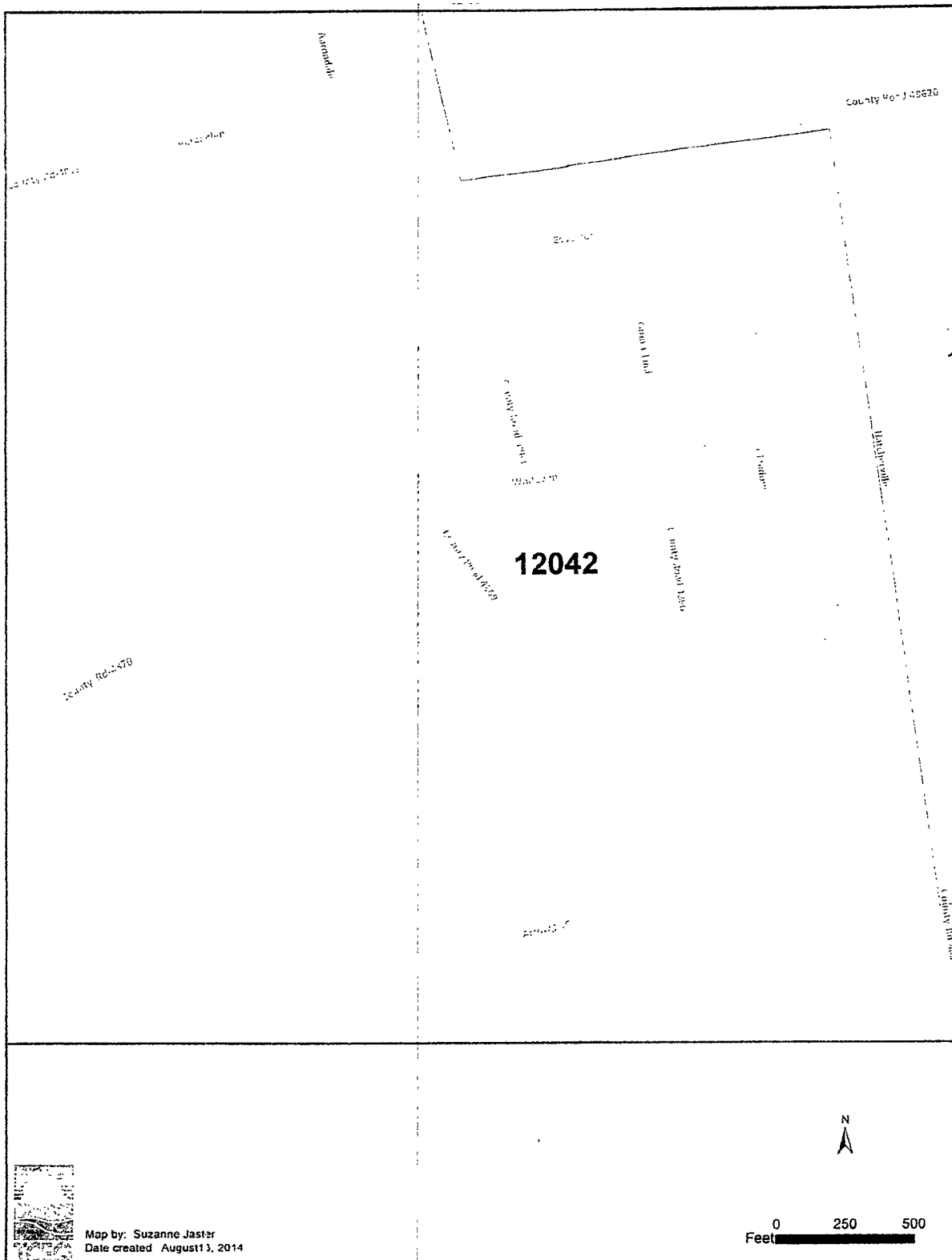
P. Dianne Barber
Notary Public, State of Texas

Mailing Address of GRANTEE:

Name: East Houston Utilities, Inc.
 aka Krebs Utilities
Address: 11015 Sheldon Rd., Ste 102
 Houston, Texas 77044

EXHIBIT "C"

Texas Commission on Environmental Quality
Corrected Service Area for CCN No. 12042
August 13, 2014



Gum Island Utility
CCN 12042

STM Application
10 Copies

I am doing this application from a sale that was done on September 15th, 2014. It was never done properly with an STM application, hence why I'm doing this 5 years after the sale. Fred McCoy (the seller) passed away a few months ago. This was done to the best of my knowledge. Please contact me if you need corrections on the application.

Thanks,

Hannah Krebs
Records Coordinator, EHU
409-277-1087

-Included is the map + the warranty Deed,
and the promissory Note.

PROMISSORY NOTE
Harris County, Texas

\$ 10,000.00

FOR VALUE RECEIVED, after date, without grace, the undersigned, **EAST HOUSTON UTILITIES**, (hereinafter called "Maker", whether one or more) promises to pay to the order of **KREBS DEVELOPMENT, INC.**, (hereinafter sometimes called "Holder"), the sum of **TEN THOUSAND AND 00/100 (\$ 10,000.00) DOLLARS** in currency of the United States of America, together with interest as set forth below.

Interest shall accrue on the unpaid balance of the principal amount at the rate of **TEN PERCENT (10%)** per annum prior to maturity and at the rate of **EIGHTEEN PERCENT (18%)** per annum after maturity.

Principal and interest shall be due and payable in monthly installments of **\$ 84.00** each, with the first payment due and payable on or before **August 30th, 2019**. And a like installment being due and payable on the same day of each month thereafter, with the final installment of **\$ 84.00** due and payable **April 30th, 2068**. Any parcel payment hereon shall be applied first to the payment of interest owing on this note and the remainder, if any, shall be applied to the principal.

Any check, draft, money order or other instrument given in payment of all or any part of this note may be accepted by the Holder and handled in collection in the customary manner at its option, but the same shall not constitute payment hereunder or diminish any rights of the Holder, except to the extent that actual cash proceeds of such instrument are unconditionally received by the Holder and applied to this indebtedness as herein provided.

Time is of the essence of this agreement and on default in making of any payment of interest or principal due hereunder, or if there is a default under the terms of any instrument securing payment of this note, Holder may, at Holder's election accelerate the Maturity date by declaring the entire unpaid balance of principal and any unpaid interest to be immediately due and payable.

Maker, every surety, and every endorser of this note severally waive demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, grace, diligence in extensions, and partial payments both before and after maturity without prejudice to Holder.

Maker hereby agrees to pay all cost and expenses incurred by Holder, including an additional 10% of the amount of principal and interest hereof then owing as liquidated attorney's fees, all of which shall become a part of the principal hereof, if this note is placed in the hands of an attorney for collection, or any other legal proceedings.

Nothing in this note shall authorize the collection of interest in excess of the

highest rate allowed by law. If, from any circumstance whatsoever, fulfillment of any provision hereof at the time the performance is due would exceed the usury limit. If prescribed by law, then the obligation to be fulfilled shall be reduced to that limit. If from any circumstances Holder shall receive as interest an amount that would exceed the highest lawful rate, the amount that would be excessive interest shall be applied to the reduction of the principal amount owing hereunder, or shall be refunded, but shall not be applied to payment of interest.

IN WITNESS WHEREOF, Maker, intending to be legally bound hereby, has duly executed this note on the 30th day of **August, 2019**.

Hannah Krebs; Records Coordinator
East Houston Utilities *ETH*
11015 Sheldon Rd Ste 102
Houston, Texas 77044
281-456-0856

Hannah Krebs; Records
(Same as above) *Coordinator, ETH*



NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED
(Water Company, Land and Assets)

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF LIBERTY §

WHEREAS, the MALLEY CORPORATION ("MALLEY"), a Texas Corporation, was the Grantee in a deed dated June 28, 1977, with DAVID W. MCCOY as the Grantor, conveying 154.7 acres of land (the "Original Tract") in the C.C. Brunson Survey, Abstract No. 741, and the Julianna Malley Survey, Abstract No. 71, in Liberty County, Texas, as fully described by a field note description therein, said deed being recorded in Volume 823, Page 103 of the Official Public Records of Liberty County, Texas; and

WHEREAS, MALLEY subsequently developed portions of the Original Tract into the Whitewing Subdivision, Section 1 and Section 2 ("Whitewing"), by plats recorded in Volume 8, Page 153 (Section 1) and Volume 8, Page 173 (Section 2) of the Plat Records of Liberty County, Texas; and

WHEREAS, Gum Island Utility Company, a Texas Corporation wholly owned by Malley Corporation, was granted a **Certificate of Convenience and Necessity ("CCN No. 12042")** on October 27, 1987, by the Texas Water Commission, for the purpose of supplying potable water service to the lots and residences in Section 1 and Section 2 of the Whitewing Subdivision as referenced above, under V.T.C.A. Water Code and Texas Water Commission Substantive Rules; and

WHEREAS, Gum Island Utility Company subsequently forfeited its charter for the non payment of franchise taxes; and

WHEREAS, upon said forfeiture by Gum Island Utility Company of its charter. ownership of the water well site, plant, distribution system and assets supplying potable water to the Whitewing subdivision under said **CCN No. 12042** reverted back to Malley Corporation as the parent owner and developer of Whitewing and the Whitewing Subdivision Water Plant; and

WHEREAS, since the time of said forfeiture by Gum Island Utility Company of its charter, the Whitewing Subdivision Water Plant has been called and known as the **Whitewing Subdivision Water Plant, PWS I.D. No. 146006** by the Texas Water Commission (TWC), the Texas Natural Resource Conservation Commission (TNRCC), and currently, the Texas Commission on Environmental Quality (TCEQ), hereinafter collectively referred to as the "Texas water utility regulatory commissions"; and

WHEREAS, potable water service has been subsequently and continuously supplied, and is presently supplied to Whitewing as of the date of this conveyance, by the water well, plant, distribution system and assets of the **Whitewing Subdivision Water Plant, PWS I.D. No. 146006** (the "Business"), located on that certain 0.0911 acre, or 3,969 square foot, tract of land in "Reserve B" of said Whitewing Subdivision, Section 1 (the "Well Site Land"), said Well Site Land being more particularly described in **EXHIBIT "A"** attached hereto and incorporated herein by reference; and with said potable water distribution system assets being further located in the public utility easements of Whitewing as shown on the recorded plats of same referenced herein above; and

WHEREAS, MALLEY, as the Grantor in a deed dated December 30, 1997, and recorded in Volume 1699, Page 907 of the Official Public Records of Liberty County, Texas, conveyed to DAVID MCCOY AND ASSOCIATES, INC., an Illinois Corporation, as the Grantee, all of its remaining rights, titles, and interests in the Original Tract, including the real property used by the Business and the Well Site Land referenced herein and set out in EXHIBIT "A" of said deed; and

WHEREAS, the remaining assets of MALLEY passed to DAVID MCCOY AND ASSOCIATES INC. prior to the dissolution of MALLEY in February, 1999; and

WHEREAS, DAVID MCCOY AND ASSOCIATES, INC. as the Grantor in a deed dated March 5, 2002, conveyed to FRED G. MCCOY, as the Grantee, all of its remaining rights, titles, and interests in the Original Tract, including the surface estate only of the Well Site Land referenced herein and set out in EXHIBIT "B" of said deed, said deed being recorded in Volume 1953, Page 653 of the Official Public Records of Liberty County, Texas; and

WHEREAS, on or about November 2, 1998, DAVID W. MCCOY established the DAVID W. MCCOY LIVING TRUST (the "DAVID MCCOY TRUST"); and

WHEREAS, following the death of David W. McCoy on September 27, 1999, the original Trustee, Richard A. Greenswag, resigned, and PAUL ARTHUR MCCOY (also known as and referred to herein as Paul A. McCoy) and FREDERICK GEORGE MCCOY (also known as and referred to herein as Fred G. McCoy) were appointed Successor Co-Trustees of the DAVID MCCOY TRUST; and

WHEREAS, DAVID MCCOY AND ASSOCIATES, INC., as the Seller in a Water Company Asset Sale and Purchase Agreement dated February 1, 2013, and filed under County Clerk's No. 2013003302 in the Official Public Records of Liberty County, Texas, conveyed all of its remaining rights, titles, and interests in and to the assets of the Business, exclusive of said surface estate of the Well Site Land, to PAUL ARTHUR MCCOY of the County of McLennan and State of Texas, and FREDERICK GEORGE MCCOY of the County of Liberty and State of Texas, Successor Co-Trustees of the DAVID MCCOY TRUST, as the Purchaser; and

WHEREAS, BARBARA Z. MCCOY, the wife of David W. McCoy and sole beneficiary of the DAVID MCCOY TRUST, died testate on December 8, 2012, and her Last Will and Testament and the First Codicil and Second Codicil thereto, were admitted to probate in the *Estate of Barbara Z. McCoy, deceased*, Cause Number 20120548 pending in County Court of McLennan County, Texas; and

WHEREAS, PAUL A. MCCOY and ANN MCCOY were appointed Independent Co-Executors of the ESTATE OF BARBARA Z. MCCOY, DECEASED; and

WHEREAS, a certified copy of the Last Will and Testament of Barbara Z. McCoy, and the *First Codicil and Second Codicil* thereto, have been recorded as Instrument No. 2013000853 in the Official Public Records of Liberty County, Texas; and

WHEREAS, as of the date of this deed, the rights, titles, and interests in and to the assets of the Business as herein described, exclusive of said surface estate of the Well Site Land, have not been transferred from or conveyed out of the ESTATE OF BARBARA Z. MCCOY, DECEASED; and

WHEREAS, by these presents, it is the intention of PAUL A. MCCOY and ANN MCCOY, as Independent Co-Executors of the ESTATE OF BARBARA Z. MCCOY, DECEASED, to convey to **EAST HOUSTON UTILITIES, INC., aka KREBS UTILITIES**, all of said Estate's rights, titles, and interests in and to the assets of the Business, exclusive of said surface estate of the Well Site Land and subject to the terms and conditions hereinafter set forth; and

WHEREAS, as of the date of this deed, the rights, titles, and interests in and to the assets of the Business as herein described, exclusive of said surface estate of the Well Site Land, have not been transferred from or conveyed out of the DAVID MCCOY TRUST; and

WHEREAS, FREDERICK GEORGE MCCOY and PAUL A. MCCOY, as Co-Trustees of the DAVID MCCOY TRUST, by these presents, intend to convey all of said trust's right, title, and interest in and to the assets of the Business, upon the terms and conditions hereinafter set forth, to EAST HOUSTON UTILITIES, INC., aka KREBS UTILITIES; and WHEREAS, by these presents, it is the intention of FRED G. MCCOY and wife, MARILYN A. MCCOY (collectively the "Well Site Landowners"), to convey to **EAST HOUSTON UTILITIES, INC., aka KREBS UTILITIES**, upon the terms and conditions hereinafter set forth, all of their rights,

titles. and interests in and to the said surface estate of the Well Site Land described in **EXHIBIT "A"** attached hereto:

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

That we, **FREDERICK GEORGE MCCOY** and **PAUL ARTHUR MCCOY**, as Co-Trustees of the **DAVID W. MCCOY LIVING TRUST** dated November 2, 1998; **PAUL A. MCCOY** and **ANN MCCOY**, as Independent Co-Executors of the **ESTATE OF BARBARA Z. MCCOY, DECEASED**; and **FRED G. MCCOY** and **MARILYN A. MCCOY**., individually, hereinafter collectively referred to as GRANTOR, whether one or more, for and in consideration of the sum of TEN AND NO/100 DOLLARS (\$10.00) and the mutual benefits to be derived and the representations and warranties, conditions and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, CONVEY, SELL, TRANSFER, DELIVER, and ASSIGN unto **EAST HOUSTON UTILITIES, INC., aka KREBS UTILITIES**, a for-profit water supply corporation duly organized and existing under the laws of the state of Texas, hereinafter referred to as GRANTEE, said GRANTOR and GRANTEE hereinafter referred to collectively as the Parties, upon the terms and conditions hereinafter set forth and agreed to by the Parties, all of GRANTOR'S interest in and to the property described as follows ("the Property"), to-wit:

1. **Water Plant Well Site:** THE SURFACE ONLY of the Well Site Land, being that certain 0.0911 acre, or 3,969 square foot, tract or parcel of land out of and a part of that called 10.86 acre tract shown as "Reserve B" on the Plat of the Whitewing Subdivision. Section 1, recorded in Volume 8, Page 153 of the Plat Records of Liberty County, Texas, located in the C.C. Brunson Survey, Abstract 741, Liberty County, Texas, said Well Site Land owned by **FRED G. MCCOY** and wife, **MARILYN A. MCCOY** (collectively the "Well Site Landowners"), on which, the water well and plant used in the operation of the Business is located, together with improvements thereon and fixtures thereto (collectively the "Well Site"). The Well Site Landowners, by their signatures below, do hereby certify their receipt of GRANTEE'S check for \$2,000.00 as full payment and consideration for said Well Site Land

surface. The Well Site Land is more particularly described in **EXHIBIT "A"** attached hereto and incorporated herein by reference. subject to any easements, restrictions, or restrictive covenants on or affecting said Well Site Land. but only to the extent that the same are visible, apparent, or shown of record in the Official Public Records of Liberty County, Texas. This conveyance is subject to all prior mineral and royalty reservations burdening the Well Site Land. Well Site Owners expressly reserve all the oil, gas and other minerals in and under and that may be produced from the Well Site Land, subject to the rights of other current owners of interests in the oil, gas and mineral estate. In addition, the Well Site Landowners, their heirs, successors and assigns, reserve for the purpose of road and utility access, a ten (10) foot wide nonexclusive easement appurtenant (the "Easement") running along and with the north line of said 10.86 acre Reserve B and contiguous with the south line of Whitewing Road aka County Road 4865, said Easement lying north of and outside of the existing Well Site fence facing Whitewing Road. GRANTEE hereby agrees that GRANTEE shall not construct any fence across or on the Easement, and that the Well Site Landowners, their heirs, successors and assigns may, at their option, maintain the appearance and accessibility of the Easement, but only to the extent that said maintenance does not unreasonably interfere with GRANTEE'S maintenance and operations of the Property.

2. The Business and its Assets: The Business, including the following described assets and rights of use, occupancy and access owned by GRANTOR and used in connection with the Business, provided, however, that the assets shall not include any of the "Excluded Assets" as defined in Paragraph **2-h** below:

2-a. The water well, water, chlorination system and equipment, water lines, distribution mains, meters, flushing hydrants, pumps, pressure and storage tanks, related equipment and controls, including chemicals, water tank volume control valves, pressure gauges, contactors, etc.;

2-b. All water rights owned, possessed, held, acquired, or claimed by GRANTOR that are specific to the Well Site, the Well Site Land, and the Potable Water Service Area for

CCN No. 12042 (the "Service Area"). said Service Area being comprised of Section 1 and Section 2 of the Whitewing Subdivision, and any such water rights that could or may in the future be owned, possessed, held, acquired, or claimed for same for additional wells based on the history of the Business, and the needs of future expansion(s) of GRANTEE'S service area that is/are contiguous with and connected to the Service Area being conveyed herein, provided, however, that GRANTOR reserves GRANTOR'S water rights on all lands owned by GRANTOR outside of said **CCN No. 12042** Service Area, with the stipulation that if such water rights are required for additional wells and well sites for future expansion of GRANTEE'S service area, then they shall not be unreasonably withheld by GRANTOR. Well Site Landowners further reserve the right to drill no more than one (1) private well each on lands owned by Grantor or Well Site Landowners, their heirs, successors, assigns or distributees in the two (2) unrestricted Commercial Reserves "A" and "B", respectively, of said Whitewing Subdivision. Section 1 (i.e., one well on Reserve "A" and one well on Reserve "B").

GRANTOR and GRANTEE further acknowledge and agree that:

2-ba. Notwithstanding anything shown on the current TCEQ Service Area Map WRS 146 for Liberty County, Texas, and the online TCEQ Water Utilities Map Viewer, the Service Area presently served and herein conveyed by GRANTOR under **CCN No. 12042** is comprised of the lands lying within Section 1 and Section 2 of the Whitewing Subdivision as shown by plats recorded in Volume 8, Page 153 (Section 1) and Volume 8, Page 173 (Section 2) of the Plat Records of Liberty County, Texas.

2-bb. As of the date of this conveyance, said Service Area for **CCN No. 12042** is incorrectly represented on the official TCEQ CCN Service Area Map WRS 146 as shown in **EXHIBIT "B"** attached hereto and incorporated herein by reference.

2-bc. The correct GIS digital representation of the **CCN No. 12042** Service Area is shown in the August 13, 2014 update of the online TCEQ Water Utilities Map Viewer, as shown in **EXHIBIT "C"** attached hereto and incorporated herein by reference.

2-c. All permits, licenses, contract rights, and business goodwill of GRANTOR associated with the Business, including without limitation the **Certificate of Convenience and Necessity, CCN No. 12042**, issued by the State of Texas to Gum Island Utility Company as referenced herein above;

2-d. All right, title, and interest of GRANTOR in and to the name "Gum Island Utility Company", "Whitewing Subdivision Water System", or any variant of these names;

2-e. All current customer files, pricing information, and copies of other files and records of GRANTOR relating exclusively to the Business and the assets listed above and used in the operation of the Business (excluding any Excluded Assets defined below);

2-f. All accounts receivable; and

2-g. The total cash amount of current customer account credit balances as of no more than ten days before closing and before the first billing date after closing, which shall be payable to GRANTEE at closing in the form of a negotiable check drawn on the Gum Island Utility operations checking account.

2-h. "Excluded Assets" as used herein are all cash or cash equivalents on hand or on deposit, except as provided in Paragraphs **2-f** and **2-g** above, prepaid insurance and security deposits of GRANTOR, if any, and such tools, parts and supplies owned, stocked and/or maintained by Fred G. McCoy, Inc. and/or Fred G. McCoy personally for business activities, operations and services of same that are not owned by Gum Island Utility. The Well Site Landowners shall remove said McCoy Equipment and Stock and completely vacate the Well Site Premises and the tool storage facilities located thereon on or before ninety (90) days from the date of this conveyance. The Well Site Landowners may keep the tool storage room locked until they remove the McCoy Equipment and Stock. GRANTEE shall have full and unhindered access to all other

plant operational facilities and supplies, including the chlorinator house and the electrical house. After the Well Site Landowners remove the McCoy Equipment and Stock, GRANTEE shall have full possession of the tool storage room.

The Property herein conveyed is subject to all covenants, restrictions, reservations, easements and other pertinent stipulations affecting the Whitewing Subdivision as referenced herein, including the following instruments filed of record in the Official Public Records of Liberty County, Texas:

Plat of Whitewing Subdivision, Section 1, recorded in Volume 8, Page 153 of the Plat Records of Liberty County, Texas; and

Plat of Whitewing Subdivision, Section 2, recorded in Volume 8, Page 173 of the Plat Records of Liberty County, Texas; and

Covenants, Restrictions, Conditions and Reservations Affecting Whitewing Subdivision, Section I, dated July 1, 1978, and recorded in Volume 831, Page 105 of the Official Public Records of Liberty County, Texas; and

Covenants, Restrictions, Conditions and Reservations Affecting Whitewing Subdivision, Section II, dated March 2, 1979, and recorded in Volume 848, Page 475 of the Official Public Records of Liberty County, Texas; and

Additional Covenants, Restrictions, Conditions and Reservations Affecting Whitewing Subdivision, Sections I and II, dated June 3, 1985, and recorded in Volume 1079, Page 870 of the Official Public Records of Liberty County, Texas; and

Re-Restriction of Whitewing Subdivision, Section II (also called Section 2), dated June 27, 2003, and recorded under County Clerk's File Number 2003009746 in the Official Public Records of Liberty County, Texas; and

All other restrictions, reservations, easements and other pertinent stipulations affecting same of record in the Official Public Records of Liberty County, Texas.

GRANTEE agrees that no wire, steel or chain link fencing shall be used, erected, installed or maintained around the Well Site, and further agrees and hereby commits to maintain, repair, rebuild or replace, as necessary, the existing eight (8) foot high wood picket privacy fence, or its equal, as required to obstruct, cover and hide the visibility of the water plant equipment and structures from all sides, subject to the requirements of the applicable federal, state and local public water, health and environmental regulatory agencies.

GRANTEE hereby acknowledges and accepts that, in light of the current documentation of fluorine and fluoride as developmental neurotoxins, the Business has been represented to its customers as a non-fluoridated public potable water company. GRANTEE agrees, subject to the requirements of the applicable federal, state and local public water, health and environmental regulatory agencies, to not use fluorine or fluoride products in the production, treatment or disinfection of potable water by the Business or in any expansions of same, said expansions being defined as all potable water production, distribution facilities or service areas that are now or in the future adjacent with or connected to the Whitewing Subdivision Water Plant, PWS I.D. No. 146006, its service area, real property or distribution system. In the event that the use of fluorine or fluoride products is required by a regulatory agency, GRANTEE agrees to give written notification to the then-current customer base, before the implementation of the use of said fluorine products or procedures, either by billing insert or separate mailing,

GRANTOR has no knowledge of any 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. GRANTOR further has no knowledge of any facts or circumstances that would indicate that any such claim exists and, GRANTOR, to the best of GRANTOR'S knowledge, is 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.

GRANTOR has made no warranty, claim, or representation to GRANTEE that, after GRANTOR'S conveyance to GRANTEE of the Property as described and represented herein;

(i), the water supplied and delivered by GRANTEE 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; (ii), the water supplied and delivered by GRANTEE or its designated agents will continue to be of sufficient quantity to fulfill the needs and demands of GRANTEE and GRANTEE'S customers for service at or during any future period of time; (iii), the subsurface sources of water from which GRANTOR presently draws and delivers water will continue to be sufficient as to the quality and the quantity of water which GRANTEE or its designated agents may draw and use from such sources, to continue to fulfill the needs and demands of GRANTEE and GRANTEE'S customers for potable water at or during any future period of time.

GRANTEE shall, to the extent allowed by law, indemnify, defend, and hold harmless GRANTOR, its delegated representatives, successors, distributees, agents, employees, contractors, heirs and assigns, from and against any and all liabilities, obligations, damages, losses, claims, costs, expenses, injury, death or causes of action, including reasonable attorneys' fees, arising out of or resulting from any activities, actions, or conduct of GRANTEE or GRANTEE'S delegated representatives, successors, distributees, agents, employees, contractors, invitees, heirs or assigns in the course of GRANTEE'S occupancy, ownership, representations, obligations, commitments, contracts, covenants and operations of the Business after Closing. In the event GRANTOR shall be made a party to any litigation commenced by or against GRANTEE or GRANTEE'S delegated representatives, owners, successors, agents, employees, contractors, invitees, or assigns, arising out of or caused by any activities, actions, or conduct of same after Closing, then GRANTEE shall protect and hold GRANTOR harmless and pay all costs, penalties, charges, damages, expenses and attorneys' fees incurred or paid by GRANTOR.

GRANTOR shall, to the extent allowed by law, indemnify, defend, and hold harmless GRANTEE, its delegated representatives, owners, successors, agents, employees, contractors and assigns, from and against any and all liabilities, obligations, damages, losses, claims, costs, expenses, injury, death or causes of action, including reasonable attorneys' fees, arising out of or resulting from any activities, actions, or conduct of GRANTOR or GRANTOR'S delegated representatives, owners, successors, agents, employees, contractors, invitees, or assigns in the

course of GRANTOR'S occupancy, ownership, representations, obligations, commitments, contracts, covenants and operations of the Business prior to Closing. In the event GRANTEE shall be made a party to any litigation commenced by or against GRANTOR or GRANTOR'S delegated representatives, successors, distributees, agents, employees, contractors, invitees, heirs or assigns, arising out of or caused by any activities, actions, or conduct of same prior to Closing, then GRANTOR shall protect and hold GRANTEE harmless and pay all costs, penalties, charges, damages, expenses and attorneys' fees incurred or paid by GRANTEE.

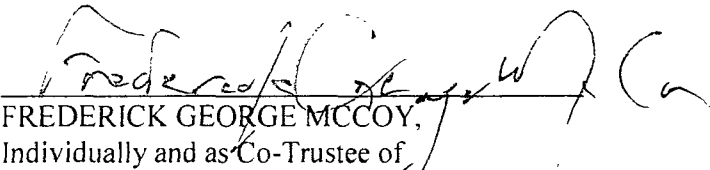
EXCEPT AS SPECIFICALLY PROVIDED HEREIN, GRANTOR HAS NOT MADE AND IS NOT MAKING ANY REPRESENTATIONS OR WARRANTIES REGARDING THE PROPERTY BEING CONVEYED HEREIN. NOTWITHSTANDING ANYTHING TO THE CONTRARY, AS A MATERIAL PART OF THE CONSIDERATION OF THIS AGREEMENT, GRANTOR AND GRANTEE AGREE THAT GRANTEE IS TAKING THE INTERESTS IN THE PROPERTY AS IS AND WITH ANY AND ALL FAULTS. GRANTEE AGREES IT HAS HAD AN ADEQUATE AND COMPLETE OPPORTUNITY TO INVESTIGATE THE PROPERTY, AND TO DETERMINE FOR ITSELF ANY INFORMATION WHICH GRANTEE NEEDS OR WANTS CONCERNING SAME. GRANTEE ACKNOWLEDGES THAT IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY OF GRANTOR OR INFORMATION PROVIDED BY GRANTOR WITH RESPECT TO THE PROPERTY, BUT THAT GRANTEE HAS RELIED SOLELY UPON GRANTEE'S OWN INSPECTIONS AND EVALUATION OF THE PROPERTY, AND THE PUBLIC RECORDS OF SAME ON FILE AT THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY.

The Parties hereto shall cooperate, shall take such further action, and shall execute and deliver such further documents as may be reasonably requested by any other party in order to carry out the provisions and purposes of this conveyance.

This writing constitutes the entire agreement of the Parties with respect to the subject matter hereof, shall be binding upon and inure to the benefit of each party hereto, its successors, assigns and distributees, and may not be modified, amended or terminated except by written agreement signed by all of the Parties hereto.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging, unto the said GRANTEE. its successors and assigns forever; and GRANTOR does hereby bind itself, its successors, assigns and distributees. to WARRANT AND FOREVER DEFEND all and singular the said premises unto the said GRANTEE, his heirs and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through, or under us, but not otherwise.

EXECUTED this 15th day of September, 2014.

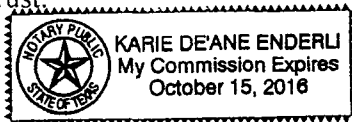

FREDERICK GEORGE MCCOY,
Individually and as Co-Trustee of
the David W. McCoy Living Trust

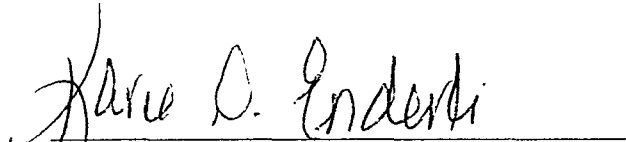

MARILYN A. MCCOY

THE STATE OF TEXAS §

COUNTY OF LIBERTY §

This instrument was acknowledged before me on the 15th day of September, 2014, by FREDERICK GEORGE MCCOY, Individually and as Co-Trustee of the David W. McCoy Living Trust.

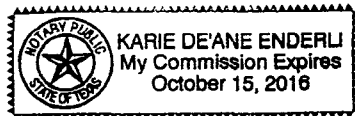


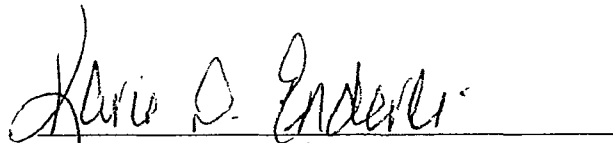

Notary Public, State of Texas

THE STATE OF TEXAS §

COUNTY OF LIBERTY §

This instrument was acknowledged before me on the 15th day of September, 2014, by MARILYN A. MCCOY.




Notary Public, State of Texas