



Control Number: 51102



Item Number: 1

Addendum StartPage: 0



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

Pursuant to Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239

2020 JUL 23 AM 11:33

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: David Fenoglio

(selling entity)

CCN No.s: 11779

☒ Sale
 ☐ Transfer
 ☐ Merger
 ☐ Consolidation
 ☐ Lease/Rental

Transferee: Patterson Water Supply

(acquiring entity)

CCN No.s: 13248

☒ Water
 ☐ Sewer
 ☐ All CCN
 ☐ Portion CCN
 ☐ Facilities transfer

County(ies): Montague

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Please mark the items included in this filing

<input checked="" type="checkbox"/>	Contract, Lease, Purchase, or Sale Agreement	Part A: Question 1
<input checked="" type="checkbox"/>	Tariff including Rate Schedule	Part B: Question 4
<input checked="" type="checkbox"/>	List of Customer Deposits	Part B: Question 5
<input checked="" type="checkbox"/>	Partnership Agreement	Part C: Question 7
<input checked="" type="checkbox"/>	Articles of Incorporation and By-Laws (WSC)	Part C: Question 7
<input type="checkbox"/>	Certificate of Account Status	Part C: Question 7
<input type="checkbox"/>	Financial Audit	Part C: Question 10
<input checked="" type="checkbox"/>	Application Attachment A & B	Part C: Question 10
<input type="checkbox"/>	Disclosure of Affiliated Interests	Part C: Question 10
<input type="checkbox"/>	Capital Improvement Plan	Part C: Question 10
<input checked="" type="checkbox"/>	List of Assets to be Transferred	Part D: 11.B
<input type="checkbox"/>	Developer Contribution Contracts or Agreements	Part D: 11.D
<input checked="" type="checkbox"/>	Enforcement Action Correspondence	Part E: Question 18 (Part D: Q12)
<input checked="" type="checkbox"/>	TCEQ Compliance Correspondence	Part F: Question 22
<input type="checkbox"/>	TCEQ Engineering Approvals	Part F: Question 24
<input type="checkbox"/>	Purchased Water Supply or Treatment Agreement	Part F: Question 26
<input checked="" type="checkbox"/>	Detailed (large scale) Map	Part G: Question 29
<input checked="" type="checkbox"/>	General Location (small scale) Map	Part G: Question 29
<input type="checkbox"/>	Digital Mapping Data	Part G: Question 29
<input checked="" type="checkbox"/>	Signed & Notarized Oath	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:

Transfer ownership of Sunset Water System, CCN #11779 to Patterson Water Supply, CCN #13248

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: David Fenoglio
(individual, corporation, or other legal entity)
☒ Individual ☐ Corporation ☐ WSC ☐ Other: _____

B. Mailing Address: 206 W Hwy 82
Nocona, TX 76255

Phone: (940) 894-2000 Email: david@frictx.com

- 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: David Fenoglio Title: President

Mailing Address: Same as above

Phone: _____ Email: _____

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:

A. Effective date for most recent rates: September 13, 2019

- 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: 49758

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 160

☒ # of customers with deposits held by the transferor* 16

*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: Patterson Water Supply

(individual, corporation, or other legal entity)

☐ Individual

☐ Corporation

☐ WSC

☒ Other:

B. Mailing Address: P.O. Box 910, Collinsville, TX 76233

Phone: (903) 429-3008

Email: pattproserv@aol.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: Mark Patterson

Title: President

Address: P.O. Box 910, Collinsville, TX 76233

Phone: (903) 429-3008

Email: pattproserv@aol.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): _____

☐ 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.)

- ☐ County
- ☐ Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)
- ☒ Other (please explain): Limited Liability Company

8. If the transferee operates under any d/b/a, provide the name below:

Name: _____

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:

Name: Mark Patterson
Position: President Ownership % (if applicable): 50.00%
Address: 340 Hog Town Rd, Collinsville, TX 76233
Phone: (903) 429-3008 Email: pattproserv@aol.com

Name: David Patterson
Position: Member Ownership % (if applicable): 25.00%
Address: 2204 Graham Grove Rd, Collinsville, TX 76233
Phone: (903) 429-3008 Email: dpatterson0180@aol.com

Name: James Carney
Position: Member Ownership % (if applicable): 25.00%
Address: 383 Crossroads Rd Collinsville, TX 76233
Phone: (903) 429-3008 Email: dcarney@pattersonprofessionalservices.com

Name: _____
Position: _____ Ownership % (if applicable): 0.00%
Address: _____
Phone: _____ Email: _____

10. **Financial Information**

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.

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:

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: \$ 65,000.00

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: \$ transferor could not provide this.

Accumulated Depreciation: \$

Net Book Value: \$ 0 00

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:

Sunset Water System is currently in receivership and Patterson Water has made improvements to the system and will continue making the recommended investments to bring this system to standard.

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

Patterson Water Supply has a proven track record of being able to take non functioning systems and bring them into full compliance.

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:	\$ - UNKNOWN -	*transferor had no books on file.
Accumulated Depreciation of Plant:	\$ - UNKNOWN -	
Cash:	\$	
Notes Payable:	\$	
Mortgage Payable:	\$	
(Proposed) Acquisition Adjustment*:	\$	
* Acquisition Adjustments will be subject to review under 16 TAC § 24 41(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.)

We want to include the systems into the Patterson Water Supply tariff (CCN #13248). This will be completed via a separate rate change application. Patterson Water Supply request that the emergency rate in place remains in place for an addition 24 months as we work through the sale, transfer, merger.

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:

Yes, Patterson Water Supply would like the current emergency rates extended 24 months to allow us to complete this STM and submit a full rate case.

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:

Patterson Water Supply will ensure continuous and adequate service to meet the customers of the utility to meet Texas Water Code and Texas Health & Safety code requirements. Patterson Water Supply plans to upgrade and replace much of the distribution system.

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.

Patterson Water has been in operations for 10+ years, and owns and operates 4 systems it received through the receivership program 1) Vacation Village in Denton County, 2) Hills of Briar Oaks in Wise County, 3) Cooley Point in Tarrant County and 4) Crazy Horse Ranch (CCN 13248)

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:

There will be no impact to the environmental integrity of the land as a result of the proposed transactions.

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

It will ensure that continuous and adequate water service is provided to customers of the utility.

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:

There are no other CCN or neighboring utilities within 2 miles of the boundaries of Sunset Water System

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: TX 1690007 (7 digit ID)Name of PWS: Sunset Water SystemDate of last TCEQ compliance inspection: See attachment (attach TCEQ letter)

Subdivisions served: _____

B. For Sewer service:TCEQ Water Quality (WQ) Discharge Permit Number: WQ - (8 digit ID)

Name of Wastewater Facility: _____

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		2"		Residential
176	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:			175	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):**

Description of the Capital Improvement:	Estimated Completion Date:	Estimated Cost:
<u>See attachment</u>		

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: _____

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)?

	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
Mark Patterson	B	WG0008889	Water
David Parrerson	C	WG0013751	Water
Preston Patterson	D	WO0043621	Water

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: 360.00

Number of customer connections in the requested area: 175

Affected subdivision : N/A

The closest city or town: Sunset, TX

Approximate mileage to closest city or town center: 8

Direction to closest city or town: Alvord, TX

The requested area is generally bounded on the North by: W Front St

on the East by: Norvell Ln

on the South by: Sunset School Rd

on the West by: First St

31. A copy of the proposed map will be available at: 9963 US Hwy 377, Collinsville, TX 76233

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 TEXAS

COUNTY OF Montague

I, DAVID A. FENOGLIO

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

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

President-Sunset Water System

(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 § 24.239 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.

David A Fenoglio

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 20th of July, 2020

SEAL



Melissa J Gerlach

NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Melissa J Gerlach

PRINT OR TYPE NAME OF NOTARY

My commission expires:

4/26/2022

Oath for Transferee (Acquiring Entity)

STATE OF Texas

COUNTY OF Grayson

I, MARK PATTERSON being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as President
(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 § 24.239 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.

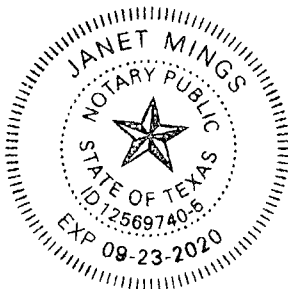



AFFIANT
(Utility's Authorized Representative)

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 22nd of July, 2020

SEAL




NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Janet Mings
PRINT OR TYPE NAME OF NOTARY

My commission expires: 09/23/2020

Included Attachments

- A – Sales Agreement
- B – Emergency Rate Tariff and Previous Tariff
- C – Customers with Deposits Held by the Transferor
- D – Membership Agreement
- E – Certificate of Filing with Secretary of State
- F – Financial Information and Projections
- G – List of Repairs/Assets to be Transferred
- H – Emergency Receivership Order
- I – Last CCI/TCEQ Enforcement Letter
- J - Small Scale Map
- K – Large Scale Map

WATER SYSTEM OPERATIONS AND TRANSFER AGREEMENT

This Water System Operations and Transfer Agreement (this "Agreement") is entered into effective 23 April 2020, 2020 (the "Effective Date") between Patterson Professional Services, LLC ("Patterson"), a Texas limited liability company, and David Fenoglio, d/b/a Sunset Water System/Oak Shores Water System ("Fenoglio"). Patterson and Fenoglio may be individually referred to as "Party" and collectively referred to as the "Parties."

RECITALS

WHEREAS, Fenoglio wishes to immediately divest itself of the water system operation and maintenance functions related to the Sunset Water Systems, Inc./Oak Shores Water System, Inc. located in Montague County, Texas (the "System"), and to transfer all assets to Patterson effective as of the date of Sale, Transfer, and Merger ("STM") 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 System on behalf of Fenoglio 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 System 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 FENOGLIO AGREE AS FOLLOWS:

AGREEMENTS

ARTICLE I.

INTERIM OPERATIONS AND STM APPLICATION REVIEW PERIOD

1. Recitals. The above recitals are true and correct and are incorporated herein for all purposes.
2. Description of System. The System is more particularly described in Exhibit A, attached hereto and incorporated herein for all purposes.
3. Interim Operations and Maintenance of System. Patterson shall assume all routine operation and maintenance responsibilities for the System as of the Effective Date (the "Interim Operations") and ending upon full transfer of the System 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 System, including a 24-hour-per-day response service;
 - b. Provide the personnel, travel, and hand tools necessary for the ordinary daily operations of the System;

- c. Perform all inspections, tests, and sampling required by law and respond to inquiries from governmental entities with jurisdiction over the System's 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 System in the ordinary course of business in accordance with applicable rules and laws;
- e. Supply routine chemicals needed for the System's operation; and
- f. Any other requirements as Receiver of the System pursuant to the Agreed Order in Cause No. D-1-GN-18-002771 (459th Judicial District), Travis County District Court (the "Receivership"), only during the term of such Receivership.

All other services not specifically delineated under this Section 3 shall not be required to be performed by Patterson during the Interim Operations period.

- 4. STM Application. Patterson shall file an STM application with the Public Utility Commission of Texas during the Interim Operations period.
- 5. Customer Billings. As consideration for the Interim Operations prior to the transfer set forth in Article II., Patterson shall continue collecting all revenues received from customer billings. Any payments sent to Fenoglio shall be immediately forwarded to Patterson.
- 6. Staffing and Licenses. Patterson will provide qualified personnel to provide the Interim Operations. All employees of Patterson will readily identify themselves when communicating with 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.
- 7. Records. Fenoglio shall turn over any additional records not already provided to Patterson pursuant to the Receivership related to the System within five (5) business days from the Effective Date.
- 8. Regulatory Orders or Violations. Patterson shall pay certain fines associated with the assessments and/or penalties incurred to date on the System, whether regulatory or otherwise, in the amount of \$3,454.12, as more particularly set forth in Exhibit B, which is attached hereto and incorporated herein for all purposes. Any additional orders or notices of violations issued by the Texas Commission on Environmental Quality, the Public Utility Commission, or any other regulatory entity having jurisdiction over the System shall be the responsibility of Fenoglio, unless the Parties otherwise agree by separate written instrument.

ARTICLE II.

TRANSFER OF SYSTEM UPON STM APPROVAL

- 1. Transfer of System Assets. Immediately upon STM Approval, the System described in Exhibit A, including all assets related thereto, shall convey and become the property of Patterson. Patterson takes the System on an as-is basis, with knowledge of the repairs needed to the System as of the Effective Date. Fenoglio, 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 System 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 System or Fenoglio;
- c. The lands and all other real property belonging to Fenoglio and to which the System is located on;
- d. All water distribution infrastructure associated with the System, 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 System, 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 System in existence as of the STM Approval date.

Fenoglio shall cooperate with Patterson to have all title to real property changed to Patterson's ownership as necessary in the Real Property/Deed Records of Montague County, Texas. All such conveyance documents must be executed by both Parties prior to STM Approval.

2. **Warranties.** Fenoglio 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 Fenoglio;
 - c. the System is interest is free and clear of all mechanic's liens, liens, mortgages, abstracts of judgment, or encumbrances of any nature, and that no work has been performed or begun by Fenoglio and/or 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 not 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.** Fenoglio agrees to promptly provide all necessary information and assistance to complete the transfer described by this Article II. Fenoglio shall in no way divest itself of any asset related to the System during the Interim Operations period without the prior written consent of Patterson.

ARTICLE III.

PAYMENT TO FENOGLIO

1. **Payment Schedule.** Patterson shall make the following scheduled time-based payments to Fenoglio as consideration for the sale and transfer of the System Assets to Patterson:
 - a. \$20,000.00 payment from Patterson to Fenoglio within fifteen (15) days of full execution of this Agreement by both Parties.

- b. \$20,000.00 payment from Patterson to Fenoglio within ten (10) days of the STM application being filed by Patterson with the Public Utility Commission of Texas.
- c. \$25,000.00 payment from Patterson to Fenoglio within ten (10) days of receiving STM Approval from the Public Utility Commission of Texas.

Each separate payment is consideration for final the transfer of the Systems to Patterson.

- 2. Partial Performance. In the event of a default by Fenoglio of the terms of this Agreement and/or failure to obtain STM Approval within two (2) years from the Effective Date, Fenoglio shall tender all payment amounts received pursuant to Article III, Section 1 back to Patterson within thirty (30) days from the date Patterson provides written notice to Fenoglio that the default and/or failure to obtain STM Approval event(s) requiring reimbursement under this section has/have occurred.

ARTICLE IV. MISCELLANEOUS

- 1. Term and Termination. The Term of this Agreement shall begin on the Effective Date and end upon STM Approval; provided, however that Fenoglio's indemnity, liability, and regulatory responsibilities under Article IV., Section 11, Article II., Section 2, and Article I., Section 8, respectively, shall survive termination of this Agreement. If, after a 60-day notice and opportunity to cure period, a Party continues to be in default of the terms of this Agreement, the non-defaulting Party may terminate this Agreement with no further duties or responsibilities owed to the defaulting Party. The non-defaulting Party shall be entitled to all remedies available in law and equity related to any such default.
- 2. 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 appropriate in carrying out its duties hereunder.
- 3. 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.
- 4. 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.
- 5. Amendments. No subsequent alteration, amendment, change, deletion or addition to this Agreement will be binding unless made in writing and signed by both Parties.
- 6. 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.
- 7. 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.

8. 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.
9. 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.
10. 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.
11. Indemnification and Liability. To the extent permitted by law, Fenoglio shall indemnify, defend and hold Patterson harmless against any claim of liability or loss which may arise out of Fenoglio's knowing, negligent, or willful misconduct in connection with the System or related property, or any conditions created by the System or the operations thereof by Fenoglio's conduct related thereto. In the event of Patterson's negligence or willful misconduct, Patterson shall so indemnify Fenoglio, to the extent allowable by law. Except as otherwise provided herein, Fenoglio shall be solely responsible for all claims, actions, and liabilities related to the operation and maintenance of the System prior to the STM Approval and full transfer of the System to Patterson under Article II. of this Agreement.
12. No Partnership. No provisions of this Agreement shall be deemed or construed to constitute a partnership or joint venture.
13. 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.
14. Memorandum of Agreement. For the purpose of providing constructive notice, the Parties shall execute a Memorandum of Agreement to be recorded in the real property records of Montague County, Texas. Such Memorandum of Agreement shall be executed by both Parties prior to STM Approval.
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]

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: April 6, 2020

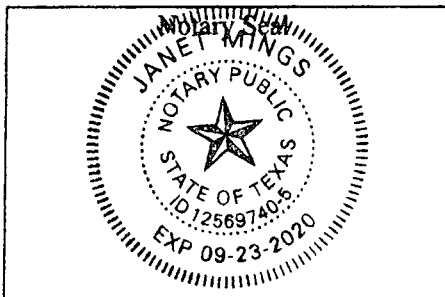
Address: P.O. Box 910
9963 U.S. 377 North
Collinsville, TX 76233

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: 4-6-2020



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

we/I have No interest in OAK Shores Water System
located at LAKE Nacoma. ~~DAF~~ 4-3-2020

Fenoglio:

d/b/a Sunset Water Systems/Oak Shores Water
Systems

By: David A. Fenoglio
David A. Fenoglio

Date: 3 April 2020

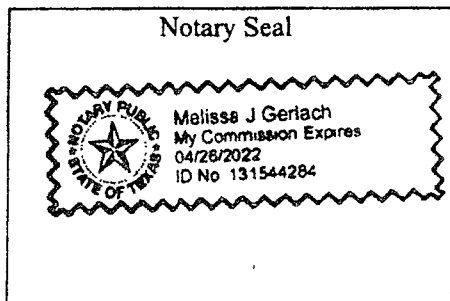
Address: 206 W. Hwy 82
Nacoma Texas 76255

ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF MONTAGUE

I certify that I know or have satisfactory evidence that David A. Fenoglio 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 duly authorized representative of Sunset Water Systems, Inc./Oak Shores Water Systems, Inc., and to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: April 3rd 2020



Melissa J Gerlach
(Signature of Notary)
Melissa J Gerlach
(Legibly Print or Stamp Name of Notary)
Notary Public in and for the State of
Texas
My appointment expires: 4/26/2022

EXHIBIT A

The System described in the Agreement shall include the following:

All of the real and personal property, improvements, facilities and infrastructure associated with the water utility designated by the Texas Commission on Environmental Quality as Certificate of Convenience and Necessity No. 11779, of which the pump station is located at or near the corner of West Front Street and Cottage Grove Drive, Montague, Montague County, Texas 76251.

*SEE "C", Montague County TAX Appraisal District information
for an ACTUAL Description of Real Property (Exhibit "C"
is 6 pages)*

EXHIBIT B

Sunset	
LG	\$689.23
LG	\$279.10
LG	\$277.80
TCEQ	\$494.15
TCEQ	\$858.69
TCEQ	\$855.15
<hr/>	
	\$3,454.12

MONTAGUE COUNTY

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Property Year 2019 [Tax Summary](#)

Information Updated 4/3/2020

Property ID: R000005366 Geo ID: 10606.000E.0002 0000

< Previous Property 78 / 93 Next Property >

Property Details**Ownership**

FENOGLIO ROBERT H SR

PO BOX 418

MONTAGUE, TX 76251-0418

Ownership Interest 1.0000000

Available Actions**Qualified Exemptions**

Not Applicable

Legal Information

Legal: S 100 OF LOT 2, BLK E, ERWIN-SUNSET, (PERRIN WATER SYSTEM)

Situation Not Applicable

Property Valuation History

Values by Year:		2019	2018	2017	2016	2015	n/a
Improvements	+	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$0
Land	+	\$2,420	\$2,420	\$2,420	\$2,420	\$2,420	\$0
Production Market	+	\$0	\$0	\$0	\$0	\$0	\$0
Personal	+	\$0	\$0	\$0	\$0	\$0	\$0
Mineral	+	\$0	\$0	\$0	\$0	\$0	\$0
Total Market	=	\$3,420	\$3,420	\$3,420	\$3,420	\$3,420	\$0
Agricultural Loss	-	\$0	\$0	\$0	\$0	\$0	\$0
Homestead Cap Loss	-	\$0	\$0	\$0	\$0	\$0	\$0
Total Assessed	=	\$3,420	\$3,420	\$3,420	\$3,420	\$3,420	\$0

4/4/2020

Property Information

Improvement / Buildings Improvement Value: \$1,000

Group Sequence	Code	Building Description	Year Built	Square Footage	Perimeter Footage
1	STOR-F			160	56
2	BOB-G			0	

Land Details Market Value: \$2,420 Production Market Value: \$0 Production Value: \$0

Land Code	Acres	Sq Ft	Front Ft	Rear Ft	Depth	Mkt Value	Prd Value
EXCP	0.000	0	0	0		2,416	0

Deed History

Sold By	Volume	Page	Deed Date	Instrument
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Property Tax Estimation by Entity / Jurisdiction

Code	Description	Taxable Value	Tax Rate per \$100	Tax Factor applied to Taxable Value	Estimated Tax
BO	BOWIE ISD	3,420	\$1.15	0.0115	\$39.33
MG	MONTAGUE COUNTY	3,420	\$0.55	0.0055	\$18.81
Total Estimation			\$1.70	0.017	\$58.14

The above property tax estimation is not a tax bill. Do not pay.
[Click here to view actual Property Tax Bill.](#)

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Southwest Data Solutions is not responsible for any errors or omissions

MONTAGUE COUNTY

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Property Year 2019 [Tax Summary](#)

Information Updated 4/3/2020

Property ID: R000015713 Geo ID: 21355 0000 0000 0075

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Property Details
Ownership

FENOGLIO ROBERT H SR
PO BOX 418
MONTAGUE, TX 76251-0418

Ownership Interest: 1 0000000

Available Actions
Qualified Exemptions

Not Applicable

Legal Information

Legal: Acres 1 000, AB 1355, L J ROSE SURVEY (WATER PLANT)

Situs: Not Applicable

Property Valuation History

Values by Year		2019	2018	2017	2016	2015	n/a
Improvements	+	\$0	\$0	\$0	\$0	\$0	\$0
Land	+	\$10,000	\$7,000	\$6,000	\$6,000	\$6,000	\$0
Production Market	+	\$0	\$0	\$0	\$0	\$0	\$0
Personal	+	\$0	\$0	\$0	\$0	\$0	\$0
Mineral	+	\$0	\$0	\$0	\$0	\$0	\$0
Total Market	=	\$10,000	\$7,000	\$6,000	\$6,000	\$6,000	\$0
Agricultural Loss	-	\$0	\$0	\$0	\$0	\$0	\$0
Homestead Cap Loss	-	\$0	\$0	\$0	\$0	\$0	\$0
Total Assessed	=	\$10,000	\$7,000	\$6,000	\$6,000	\$6,000	\$0

Improvement / Buildings Improvement Value: \$0

Group Sequence	Code	Building Description	Year Built	Square Footage	Perimeter Footage
----------------	------	----------------------	------------	----------------	-------------------

Land Details Market Value: \$10,000 Production Market Value: \$0 Production Value: \$0

Land Code	Acres	Sq. Ft	Front Ft	Rear Ft	Depth	Mkt Value	Prd. Value
BOWIEA	1.000	43,560	0	0		10,000	0

Deed History

Sold By	Volume	Page	Deed Date Instrument
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Property Tax Estimation by Entity / Jurisdiction

Code	Description	Taxable Value	Tax Rate per \$100	Tax Factor applied to Taxable Value	Estimated Tax
BO	BOWIE ISD	10,000	\$1 15	0 0115	\$115 00
MG	MONTAGUE COUNTY	10,000	\$0 55	0.0055	\$55 00
Total Estimation			\$1.70	0.017	\$170.00

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[Click here to view actual Property Tax Bill.](#)

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 Southwest Data Solutions is not responsible for any errors or omissions.

MONTAGUE COUNTY

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Property Year 2019 [Tax Summary](#)

Information Updated 4/3/2020

Property ID: R000005258 Geo ID: 10600.0013 0010.0000

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Property Details
Ownership
Available Actions

FENOGLIO ROBERT H SR

PO BOX 418
MONTAGUE, TX 76251-0418

Ownership Interest 1 0000000

Qualified Exemptions

Not Applicable

Legal Information

Legal PT LOTS 10-12, BLK 13, ORIG SUNSET, (PERRIN WATER SYSTEM)75X50

Situs Not Applicable

Property Valuation History

Values by Year		2019	2018	2017	2016	2015	n a
Improvements	+	\$0	\$0	\$0	\$0	\$0	\$0
Land	+	\$380	\$380	\$380	\$380	\$380	\$0
Production Market	+	\$0	\$0	\$0	\$0	\$0	\$0
Personal	+	\$0	\$0	\$0	\$0	\$0	\$0
Mineral	+	\$0	\$0	\$0	\$0	\$0	\$0
Total Market	=	\$380	\$380	\$380	\$380	\$380	\$0
Agricultural Loss	-	\$0	\$0	\$0	\$0	\$0	\$0
Homestead Cap Loss	-	\$0	\$0	\$0	\$0	\$0	\$0
Total Assessed	=	\$380	\$380	\$380	\$380	\$380	\$0

Improvement / Buildings Improvement Value: \$0

Group Sequence	Code	Building Description	Year Built	Square Footage	Perimeter Footage
----------------	------	----------------------	------------	----------------	-------------------

Land Details Market Value: \$380 Production Market Value: \$0 Production Value: \$0

Land Code	Acres	Sq Ft	Front Ft	Rear Ft	Depth	Mkt Value	Prd Value
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EXCP	0.000	0	75	75	50	380	0
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Deed History

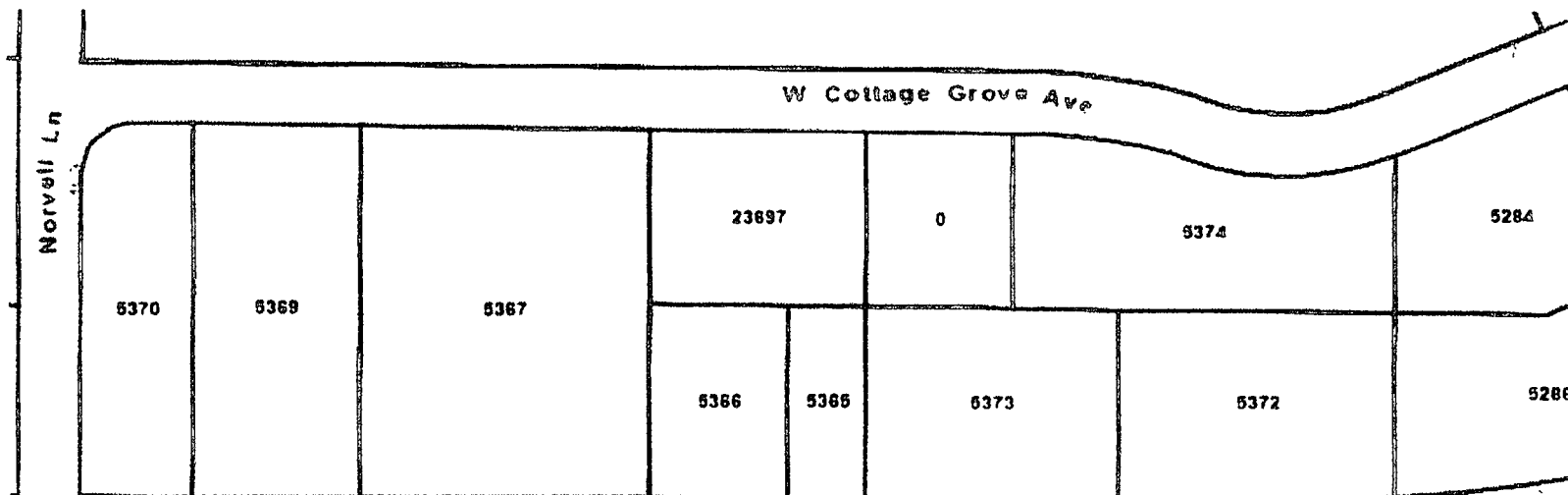
Sold By	Volume	Page	Deed Date	Instrument
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Property Tax Estimation by Entity / Jurisdiction

Code	Description	Taxable Value	Tax Rate per \$100	Tax Factor applied to Taxable Value	Estimated Tax
BO	BOWIE ISD	380	\$1.15	0.0115	\$4.37
MG	MONTAGUE COUNTY	380	\$0.55	0.0055	\$2.09
Total Estimation			\$1.70	0.017	\$6.46

The above property tax estimation is not a tax bill. Do not pay.
[Click here to view actual Property Tax Bill.](#)

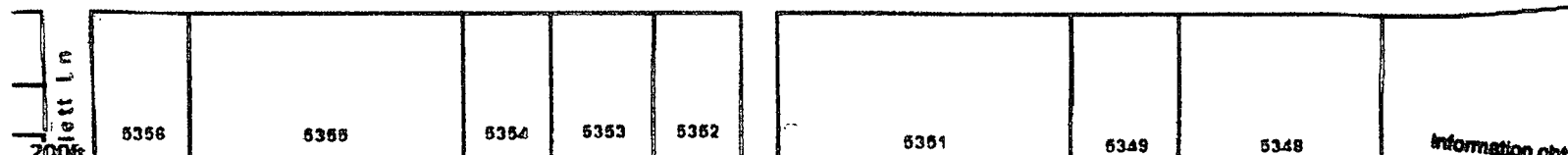
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101

101

Highway 101 W



Information obtained from Montague CAL that contains geospatial data &/or a map is for informational purposes & may not have been prepared for or be suitable for legal, engineering or surveying purposes. It does not represent an on-the-ground survey & represents only the approximate relative location of property boundaries.

WATER UTILITY TARIFF FOR

David A. Fenoglio aka Oak Shores Water System
dba Montague Water Systems
(Utility Name)

P.O. Box 418
(Business Address)

Montague, Texas 76251
(City, State, Zip Code)

(940) 894-3381
(Area Code/Telephone)

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

11779

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

Montague

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

None

This tariff is effective for the following subdivisions or systems:

Sunset Water System: PWS #1690007

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

TABLE OF CONTENTS

SECTION 1.0 - RATE SCHEDULE.....	2
SECTION 2.0 - SERVICE RULES AND POLICIES.....	3
SECTION 3.0 - EXTENSION POLICY.....	8
SECTION 4.0 - DROUGHT CONTINGENCY PLAN.....	10
APPENDIX A - SAMPLE SERVICE AGREEMENT	
APPENDIX B - APPLICATION FOR SERVICE	

TEXAS COMM. ON ENVIRONMENTAL QUALITY
37046-S, CCN 11779, FEBRUARY 5, 2013
APPROVED TARIFF BY SPDL

SECTION 1.0--RATE SCHEDULE

Section 1.01--Rates

METER SIZE	Monthly Minimum Charge	Gallorage Charge
5/8" or 3/4"	\$ <u>20.00</u> (INCLUDING 1,000 GALLONS)	\$ <u>2.00</u>
1"	\$ <u>25.00</u> (INCLUDING 0 GALLONS)	PER 1000 GALLONS
1 1/4"	\$ <u>30.00</u> (INCLUDING 0 GALLONS)	
2"	\$ <u>40.00</u> (INCLUDING 0 GALLONS)	
3"	\$ <u>45.00</u> (INCLUDING 0 GALLONS)	
4"	\$ <u>60.00</u> (INCLUDING 0 GALLONS)	
6"	\$ <u>100.00</u> (INCLUDING 0 GALLONS)	

Section 1.02--Miscellaneous Fees

TAP FEE.....\$ 250.00

TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" or 3/4" METER. TAP FEE FOR SERVICE CONNECTIONS REQUIRING METERS LARGER THAN 3/4" SHALL BE LIMITED TO THE ACTUAL COST OF MAKING THE INDIVIDUAL SERVICE CONNECTION.

RECONNECTION FEE

THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:

- a) Non payment of bill (Maximum \$25.00).....\$ 25.00
- b) Customer's request
OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF
 - 1) Standard reconnect fee.....\$ 35.00
 - 2) After hours or weekend reconnect fee.....\$ 50.00

LATE CHARGE

\$2.00 OR 5%

A ONE TIME PENALTY MAY BE MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE.....\$ 15.00
TRANSFER FEE.....\$ 25.00
CUSTOMER DEPOSIT (Maximum \$50).....\$ 50.00
METER TEST FEE (actual cost of testing the meter up to).....\$ 25.00

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY.

**RATES LISTED ARE EFFECTIVE ONLY IF
THIS PAGE HAS TWC APPROVAL STAMP**

TEXAS WATER COMMISSION	
APPROVED	
DATE <u>11-6-89</u>	DOCKET <u>8050-R</u>
FILE <u>11779</u>	BY <u>DA</u>
TARIFF CLERK	

FEB 28 1991

Model Drought Contingency Plan

**DROUGHT CONTINGENCY PLAN
FOR THE
INVESTOR OWNED UTILITY**

SUNSET WATER SYSTEM

(Name of utility)

P.O. BOX 418 MONTAGUE TX 76251

(Address, City, Zip Code)

11779

(CCN#)

1690007

(PWS #s)

1 MARCH 2002

(Date)

Section 1 Declaration of Policy, Purpose, and Intent

In cases of extreme drought, periods of abnormally high usage, system contamination, or extended reduction in ability to supply water due to equipment failure, temporary restrictions may be instituted to limit non-essential water usage. The purpose of the Drought Contingency Plan is to encourage customer conservation in order to maintain supply, storage, or pressure or to comply with the requirements of a court, government agency or other authority.

Please note: Water restriction is not a legitimate alternative if water system does not meet the Texas Natural Resource Conservation Commission's (TNRCC) capacity requirements under normal conditions or if the utility fails to take all immediate and necessary steps to replace or repair malfunctioning equipment.

I DAVID A. FENOGLIO (Please print name), being the responsible official
for SUNSET WATER SYSTEM (Name of utility), request a minor tariff
amendment to include the enclosed Drought Contingency Plan.

David A. Fenoglio
(Signature)

03-03-02
(Date)

RECEIVED

Model Drought Contingency Plan for IOUs - 6/25/01

MAR 12 2002

WATER RIGHTS PERMITTING

Section 2 Public Involvement

Opportunity for the public to provide input into the preparation of the Plan was provided by:
(check at least one of the following)

☐ scheduling and providing public notice of a public meeting to accept input on the Plan.

The meeting took place at:

Date: _____ Time: _____ Location: _____

☐ mailed survey with summary of results. (attach survey and results)

☐ bill insert inviting comment. (attach bill insert)

☒ other method NOTICE by mail

Section 3 Public Education

The _____ (name of utility) will periodically provide the public with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage.

Drought plan information will be provided by:
(check at least one of the following)

☐ public meeting

☐ press releases

☒ utility bill inserts

☐ other _____

Section 4 Coordination with Regional Water Planning Groups

The service area of the SUNSET WATER System (name of your utility) is located within:

Regional Water Planning Group (RWPG) B

SUNSET WATER System (name of your utility) has mailed a copy of this Plan to the RWPG.

Section 5 Notice Requirements

Written notice will be provided to each customer prior to implementation or termination of each stage of the water restriction program. Mailed notice must be given to each customer 72 hours prior to the start of water restriction. If notice is hand delivered, the utility cannot enforce the provisions of the plan for 24 hours after notice is provided. The written notice to customers will contain the following information:

1. the date restrictions will begin,
2. the circumstances that triggered the restrictions,
3. the stages of response and explanation of the restrictions to be implemented, and,
4. an explanation of the consequences for violations.

The utility must notify the TNRCC by telephone at (512) 239- 6020, or electronic mail at watermon@tnrcc.state.tx.us prior to implementing Stage III and must notify in writing the Public Drinking Water Section at MC - 155, P.O. Box 13087, Austin, Texas 78711-3087 within five (5) working days of implementation including a copy of the utility's restriction notice. The utility must file a status report of its restriction program with the TNRCC at the initiation and termination of mandatory water use restrictions (i.e. Stages III and IV).

Section 6 Violations

1. First violation - The customer will be notified by written notice of their specific violation.
2. Subsequent violations:
 - a. After written notice, the utility may install a flow restricting device in the line to limit the amount of water which will pass through the meter in a 24 hour period. The utility may charge the customer for the actual cost of installing and removing the flow restricting device, not to exceed \$50.00.
 - b. After written notice, the utility may discontinue service at the meter for a period of seven (7) days, or until the end of the calendar month, whichever is LESS. The normal reconnect fee of the utility will apply for restoration of service.

Section 7 Exemptions or Variances

The utility may grant any customer an exemption or variance from the drought contingency plan for good cause upon written request. A customer who is refused an exemption or variance may appeal such action of the utility in writing to the Texas Natural Resource Conservation Commission. The utility will treat all customers equally concerning exemptions and variances, and shall not discriminate in granting exemptions and variances. No exemption or variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

Section 8 Response Stages

Unless there is an immediate and extreme reduction in water production, or other absolute necessity to declare an emergency or severe condition, the utility will initially declare Stage I restrictions. If, after a reasonable period of time, demand is not reduced enough to alleviate outages, reduce the risk of outages, or comply with restrictions required by a court, government agency or other authority, Stage II may be implemented with Stage III to follow if necessary.

STAGE I - CUSTOMER AWARENESS

Stage 1 will begin:

Every April 1st, the utility will mail a public announcement to its customers.

No notice to TNRCC required.

Stage 1 will end:

Every September 30th, the utility will mail a public announcement to its customers.

No notice to TNRCC required.

Utility Measures:

This announcement will be designed to increase customer awareness of water conservation and encourage the most efficient use of water. A copy of the current public announcement on water conservation awareness shall be kept on file available for inspection by the TNRCC.

Voluntary Water Use Restrictions:

Water customers are requested to voluntarily limit the use of water for non-essential purposes and to practice water conservation.

STAGE II - VOLUNTARY WATER CONSERVATION:

The water utility will implement Stage 2 when any one of the selected triggers is reached:

Supply-Based Triggers (check at least one and fill in the appropriate value)

- ☐ Well level reaches _____ ft. mean sea level (m.s.l.)
- ☐ Overnight recovery rate reaches _____ ft.
- ☐ Reservoir elevation reaches _____ ft. (m.s.l.)
- ☐ Stream flow reaches _____ cfs at USGS gage # _____
- ☐ Wholesale supplier's drought Stage 2 _____
- ☐ Annual water use equals _____ % of well permit/Water Right/purchased water contract amount.
- ☒ Other PRODUCTION LIMITATIONS

Demand- or Capacity-Based Triggers (check at least one and fill in the appropriate value)

- ☐ Drinking water treatment as % of capacity _____ %
- ☐ Total daily demand as % of pumping capacity _____ %
- ☐ Total daily demand as % of storage capacity _____ %
- ☐ Pump hours per day _____ hrs.
- ☒ Production or distribution limitations.
- ☐ Other _____

Upon initiation and termination of Stage 2, the utility will mail a public announcement to its customers. No notice to TNRCC required.

Requirements for termination

Stage 2 of the Plan may end when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days. Upon termination of Stage 2, Stage 1 becomes operative.

Utility Measures:

Visually inspect lines and repair leaks on a daily basis. Monthly review of customer use records and follow-up on any that have unusually high usage.

Describe additional measures, if any, to be implemented directly by the utility to manage limited water supplies and/or reduce water demand. Examples include: reduced or discontinued flushing of water mains, activation and use of an alternative supply source(s); use of reclaimed water for non-potable purposes.

The second water source for SUNSET Water System (name of utility) is:
(check one)

- ☐ Other well
- ☐ Inter-connection with other system
- ☒ Purchased water
- ☒ Other HAUL Water

Voluntary Water Use Restrictions:

1. Restricted Hours: Outside watering is allowed daily, but only during periods specifically described in the customer notice; between 10:00 PM and 5:00 AM for example; **OR**
2. Restricted Days/Hours: Water customers are requested to voluntarily limit the irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems. Customers are requested to limit outdoor water use to **Mondays for water customers with a street address ending with the numbers 1, 2, or 3, Wednesdays for water customers with a street address ending with the numbers 4, 5, or 6, and Fridays for water customers with a street address ending with the numbers 7, 8, 9, or 0.** Irrigation of

landscaped areas is further limited to the hours of 12:00 midnight until 10:00 a.m. and between 8:00 p.m. and 12:00 midnight on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less, or drip irrigation system.

3. Other uses that waste water such as water running down the gutter.

STAGE III - MANDATORY WATER USE RESTRICTIONS:

The water utility will implement Stage 3 when any one of the selected triggers is reached:

Supply-Based Triggers (check at least one and fill in the appropriate value)

- ☐ Well level reaches _____ ft. (m.s.l.)
- ☐ Overnight recovery rate reaches _____ ft.
- ☐ Reservoir elevation reaches _____ ft. (m.s.l.)
- ☐ Stream flow reaches _____ cfs at USGS gage # _____
- ☐ Wholesale supplier's drought Stage 3 _____
- ☐ Annual water use equals _____ % of well permit/Water Right/purchased water contract amount.
- ☒ Other Production Limitations

Demand- or Capacity-Based Triggers (check at least one and fill in the appropriate value)

- ☐ Drinking water treatment as % of capacity _____ %
- ☐ Total daily demand as % of pumping capacity _____ %
- ☐ Total daily demand as % of storage capacity _____ %
- ☐ Pump hours per day _____ hrs.
- ☒ Production or distribution limitations.
- ☐ Other _____

Upon initiation and termination of Stage 3, the utility will mail a public announcement to its customers. Notice to TNRCC required.

Requirements for termination

Stage 3 of the Plan may end when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days. Upon termination of Stage 3, Stage 2 becomes operative.

Utility Measures:

Visually inspect lines and repair leaks on a regular basis. Flushing is prohibited except for dead end mains.

Describe additional measures, if any, to be implemented directly by the utility to manage limited water supplies and/or reduce water demand. Examples include: activation and use of an alternative supply source(s); use of reclaimed water for non-potable purposes; offering low-flow fixtures and water restrictors.

Mandatory Water Use Restrictions: The following water use restrictions shall apply to all customers.

1. Irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems shall be limited to Mondays for water customers with a street address ending with the numbers 1, 2, or 3, Wednesdays for water customers with a street address ending with the numbers 4, 5, or 6, and Fridays for water customers with a street address ending with the numbers 7, 8, 9, or 0. Irrigation of landscaped areas is further limited to the hours of 12:00 midnight until 10:00 a.m. and between 8:00 p.m. and 12:00 midnight on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less, or drip irrigation system.
2. Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8:00 p.m. and 12:00 midnight. Such washing, when allowed, shall be done with a hand-held bucket or a hand-held hose equipped with a positive shutoff nozzle for quick rinses. Vehicle washing may be done at any time on the immediate premises of a commercial car wash or commercial service station. Further, such washing may be exempted from these regulations if the health, safety, and welfare of the public is contingent upon frequent vehicle cleansing, such as garbage trucks and vehicles used to transport food and perishables.
3. Use of water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, or "jacuzzi" type pools is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8 p.m. and 12:00 midnight.
4. Operation of any ornamental fountain or pond for aesthetic or scenic purposes is prohibited except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation system.
5. Use of water from hydrants or flush valves shall be limited to maintaining public health, safety, and welfare.
6. Use of water for the irrigation of golf courses, parks, and green belt areas is prohibited except by hand held hose and only on designated watering days between the hours 12:00 midnight and 10:00 a.m. and between 8:00 p.m. and 12:00 midnight.
7. The following uses of water are defined as non-essential and are prohibited:

- a. wash down of any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
- b. use of water to wash down buildings or structures for purposes other than immediate fire protection;
- c. use of water for dust control;
- d. flushing gutters or permitting water to run or accumulate in any gutter or street;
- e. failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
- f. Any waste of water.

STAGE IV - CRITICAL WATER USE RESTRICTIONS:

The water utility will implement Stage 4 when any one of the selected triggers is reached:

Supply-Based Triggers (check at least one and fill in the appropriate value)

- ☐ Well level reaches _____ ft. (m.s.l.)
- ☐ Overnight recovery rate reaches _____ ft.
- ☐ Reservoir elevation reaches _____ ft. (m.s.l.)
- ☐ Stream flow reaches _____ cfs at USGS gage # _____
- ☐ Wholesale supplier's drought Stage 4 _____
- ☐ Annual water use equals _____ % of well permit/Water Right/purchased water contract amount.
- ☒ Supply contamination (see page 9).
- ☐ Other _____

Demand- or Capacity-Based Triggers (check at least one and fill in the appropriate value)

- ☐ Drinking water treatment as % of capacity _____ %
- ☐ Total daily demand as % of pumping capacity _____ %
- ☐ Total daily demand as % of storage capacity _____ %
- ☐ Pump hours per day _____ hrs.
- ☒ Production or distribution limitations.
- ☐ System outage (see page 9).
- ☐ Other _____

Upon initiation and termination of Stage 4, the utility will mail a public announcement to its customers. Notice to TNRCC required.

Requirements for termination :

Stage 4 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days. Upon termination of Stage 4, Stage 3 becomes operative.

Operational Measures:

lm/el

The utility shall visually inspect lines and repair leaks on a daily basis. Flushing is prohibited except for dead end mains and only between the hours of 9:00 p.m. and 3:00 a.m.. Emergency interconnects or alternative supply arrangements shall be initiated. All meters shall be read as often as necessary to insure compliance with this program for the benefit of all the customers. *Describe additional measures, if any, to be implemented directly to manage limited water supplies and/or reduce water demand.*

Mandatory Water Use Restrictions: All outdoor use of water is prohibited.

1. Irrigation of landscaped areas is absolutely prohibited.
2. Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is absolutely prohibited.

SYSTEM OUTAGE or SUPPLY CONTAMINATION

Notify TNRCC Regional Office immediately.

hm/ee

CCN-11779-

Kathleen Hartnett White, *Chairman*
 R. B. "Ralph" Marquez, *Commissioner*
 Larry R. Soward, *Commissioner*
 Margaret Hoffman, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution
 January 15, 2004

Montague Water Systems
 PO Box 418
 Montague, TX 76251

Re: Montague Water Systems, CCN No. 11779 CN:600642011 RN:101196525
 Oak Shores Development Company, CCN No. 11535 CN:600686604 RN:101251692

Dear Sir or Madam:

Based on a review of Texas Commission on Environmental Quality (TCEQ) records we have updated our information on the referenced Certificates of Convenience and Necessity (CCN) as follows:

CCN No. 11779:

Revised	From	To	See Order Dated
Utility Name	Sunset Water System	Montague Water Systems	July 18, 1984
CCN Holder	Sunset Water System	Oak Shores Water System	
Status	Active	(No change.)	
Utility Type	Investor	(No change.)	

CCN No. 11535:

Revised	From	To	See Order Dated
Utility Name	Oak Shores Water System	Oak Shores Development Company	May 15, 1979
CCN Holder	Oak Shores Water System	[Deleted]	July 18, 1984
Status	Inactive	Cancelled	
Utility Type	Misc/Unknown	Investor	May 15, 1979

No action is required on your part unless you have questions or amendments on any of the changes noted above or on any of the information shown on the enclosed "Utility Summary Reports". If you do have questions or additional changes, please call me at 512/239-6112.

Sincerely,

Kate Wilkins
 Utilities Financial Review Team
 Water Supply Division

Enclosures

P.O. Box 13087 • Austin, Texas 78711-3057 • 512/239-1000 • Internet address: www.tceq.state.tx.us

CCN 11779 W-38-3

Any customer dissatisfied with the utility's resolution of a complaint may file a complaint with: The Public Utility Commission of Texas, 7800 Shoal Creek Blvd., Suite 450N, Austin, Texas 78757.

The operation of a water system including service standards and billing practices must comply with the Commission's Substantive Rules, a copy of which may be secured for a nominal printing cost.

UTILITY EMPLOYEES SHALL LEND ASSISTANCE TO ANYONE INQUIRING OR SEEKING INFORMATION AND AFFORD TO THEM AN OPPORTUNITY TO EXAMINE THIS TARIFF.



WATER UTILITY TARIFF

for

MONTAGUE WATER SYSTEMS Box 416
(Utility Name) (Business Address)

MONTAGUE TEXAS 76251 817-894-3172
(City) (State) (Zip) (Area Code) Phone

The above utility operates a water system in the following counties: MONTAGUE

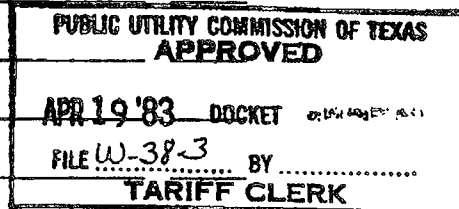
and the following cities, unincorporated towns and subdivisions (if any):

SUNSET MONTAGUE

TABLE OF CONTENTS

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

Section	Page
A Rate Schedule	2
B Service Rules and Regulations	
C Extension Policy	
Appendix	



FILMED
DEC 12 1986
SYSTEM 200

The Appendix contains a sample of each service agreement form used by the above utility and a condensation of Substantive Rules of the Commission.

CCN Pending # 4966

Base Rate	
5/8" or 3/4"	\$ 50.00
1"	\$ 75.00
2"	\$ 250.00

Volumetric Charge	\$ 5.00 per 1000 gallons
--------------------------	--------------------------

In support of the temporary tap fee increase, the receiver submitted invoices for meters installed at a nearby water system. The invoice shows the cost of the meter installation to be approximately \$1,638 including labor. The receiver requests that the temporary tap fee be \$1,000 for a 3/4-inch meter, \$1,250 for a 1-inch meter and \$2,500 for a 2-inch meter.

Recommendation:

Based on Staff's review of the information in the application and the documentation described above, Staff recommends the following:

- 1) Monthly operation expenses of approximately \$9,987 in order to properly operate the water system for 172 connections.
- 2) Temporary tap fees of \$1,000 for a 3/4-inch meter, \$1,250 for a 1-inch meter and \$2,500 for a 2-inch meter.
- 3) Approval of the proposed temporary base rate specified below by meter size per month along with a temporary gallonage rate specified below. This is a lower rate than was originally requested and noticed to customers with an effective date of July 10, 2019.

Base Rate (including 0 gallons)	
3/4"	\$ 38.90
1"	\$ 64.84
2"	\$ 207.49

Volumetric Charge	\$ 5.00 per 1000 gallons
--------------------------	--------------------------

- 4) No refunds to the customers based on the temporary rates recommended. Staff recommends that the receiver deposit any amount collected in excess of the approved temporary rate between July 1, 2019 to September 13, 2019 into a special account in order to pay for any repairs or maintenance at the water system. If this excess amount has already been used to help pay for repairs or maintenance Staff recommends that the receiver submit the invoices to substantiate the costs.
- 5) Order that the temporary rate shall remain in place in the event that the water system remains under a receiver, until such time as:

Sunset Deposit Report

Page -1 of 1

Patterson Water - Sunset

Name	Acct # Address	Dep 1 Date
1 Fritts, Mark & Amy	174 236 First Street	7/23/2019
2 Sparkman, Ramona/LOCKED	171 242 Hwy 101 W	7/24/2019
3 Montgomery, Daniel*	60 119 Boone St	8/14/2019
4 Segura, Eloy*	170 84161 Angus Drive	9/3/2019
5 Jones, Jared*	6 130 First St	9/23/2019
6 Tapia, Flavio	97 424 Denver Rd	10/18/2019
7 Williams, Ashley	76 PO Box 571	10/28/2019
8 Cozy Acres Inc.	116 125 Highway 101	11/11/2019
9 Aylor, Mckaela	163 203 W Decatur	2/4/2020
10 Rocha, Cliff & Kimi	172 222 Vardas Loop	2/7/2020
11 Vega, Richard & Rebecca	59 800 N Hwy 101	2/14/2020
12 Shriver, Martin & Mary	180 PO Box 414	2/14/2020
13 Sewell, Kelly	49 119 Hubbard St	4/2/2020
14 Ricketts, Jennifer	177 108 Bellows Street	4/30/2020
15 Smith, Josh & Amanda	138 111 Tiger St.	5/27/2020
16 Pierce, Katherine	3 201 Campbell Rd	5/28/2020
1 Agee, Nancy*	1 PO Box 264	7/4/1776
2 Allen, Brett & Mandy*	2 307 Wabash Ave	7/4/1776
3 Assembly of God Church*	4 PO Box 236	7/4/1776
4 AOG Parsonage	5 PO Box 236	7/4/1776
5 Barzano III, Robert J*	7 700 E Front St	7/4/1776
6 Beavers, Jennifer*	8 601 Hwy 101 N	7/4/1776
7 Bell, Neoma*	9 207 E. Cottage Grove Ave	7/4/1776
8 Blake, Yesenia*	10 PO Box 6	7/4/1776
9 Blandino, Dorene*	11 Private Rd 3008	7/4/1776
10 Borden, Kenya D	12 301 FM 1749	7/4/1776
11 A & V Water	13 John Haynie	7/4/1776
12 Bridgeman, Becky+	14 PO Box 136	7/4/1776
13 Bruce, Penny & William*	15 312 Hwy 101 West	7/4/1776
14 Chris Burns Welding, LLC*	16 PO Box 9	7/4/1776
15 Burns, Malynn*	17 206 Sunset School Rd	7/4/1776
16 Burns, Ray & Teresa*	18 PO Box 69	7/4/1776
17 Calvert, Braxton+	19 503 Denver Rd	7/4/1776
18 Campbell, Steve/Valerie*	20 220 Michigan Ave	7/4/1776
19 Cantrell, Norma*	21 419 Denver Rd	7/4/1776
20 Carpenter, Mary*	22 167 Campbell Lane	7/4/1776
21 Caswell, Don+	23 319 First St	7/4/1776
22 Caswell, Pauline*	24 385 Cedar Lane	7/4/1776
23 Chitwood, Ledeva*	25 1414 Rogers Rd	7/4/1776
24 Sunset Church of Christ*	26 PO Box 263	7/4/1776
25 Coats, Mike & Sue*	27 500 Denver Rd	7/4/1776
26 Cook, Beverly*	28 224 E Cottage Grove Ave	7/4/1776
27 Corson, Alan+	29 225 First Street	7/4/1776
28 VACANT	30 225 Cedar Lane	7/4/1776
29 Co Line Cowboy Church*	31 PO Box 118	7/4/1776
30 Cox, Charles R*	32 225 Denver Rd	7/4/1776
31 Cox, Gloria*	33 213 Hwy 101 W	7/4/1776
32 Crespo, Richard/Denise+	34 PO Box 31	7/4/1776
33 Davis, Maria E*	35 204 College St	7/4/1776
34 Debord, Ernest*	36 307 Hwy 101 N	7/4/1776
35 Debord, Cliff*	37 243 Sunset School Road	7/4/1776
36 Del Rio, Valentin	38 301 S Hwy 101	7/4/1776
37 Dierks, Russel E/MOVED	39 200 Greenwood Ave	7/4/1776
38 Dobyns, Earnest*	40 200 Hwy 101 W	7/4/1776
39 Dominquez, Kathy*	41 225 Wabash Ave	7/4/1776

40 Dunson, Wanda*	42 425 Hwy 101 N	7/4/1776
41 Edelman, Dennis & Laurie*	43 854 Hwy 101 N	7/4/1776
42 Edwards, Nancy*	44 864 Hwy 101 N	7/4/1776
43 Van Hoose, Kathy/Robert*	45 100 Sunset School Road	7/4/1776
44 Ezzell, Jack*	46 307 State Hwy 101 W	7/4/1776
45 Ybarra, Jessica	47 237 Norvell Lane	7/4/1776
46 Fletcher, Donna	48 699 Cedar Lane	7/4/1776
47 Foster, Cindy*	50 313 E Cottage Grove Ave	7/4/1776
48 Foster, Kathryn	51 400 First St	7/4/1776
49 Fowler, Ken*	53 118 First St	7/4/1776
50 Mincher, Gladys	54 PO Box 175	7/4/1776
51 Fowler, Diana Joan+	55 P.O. Box 224	7/4/1776
52 Fowler, Scott+	56 P.O. Box 224	7/4/1776
53 Frank, Judi/Karl	57 306 Denver Rd	7/4/1776
54 Franklin, Joan*	58 1011 Lowrie Street.	7/4/1776
55 Gortney, Melissa*	61 513 Hwy 101 N	7/4/1776
56 Gortney, Sheila	62 507 Hwy 101 N	7/4/1776
57 Ward, Glenda	63 325 Wabash	7/4/1776
58 Hachtel, Dustin & Hailey*	64 153 W Cottage Grove Ave	7/4/1776
59 Hatchel, Heather*	65 200 E Cottage Grove Ave	7/4/1776
60 Hardee, Weldon & Sheila*	66 P.O. Box 181	7/4/1776
61 Hartsell, George	67 336 First St	7/4/1776
62 Hartshorn, Jeffery+	68 200 Proctor Ln	7/4/1776
63 Devore, Candace	69 301 Wabash Ave	7/4/1776
64 Haynie, Peggie	70 306 Michigan Ave	7/4/1776
65 Henson, Brandi*	71 336 Hwy 101 W	7/4/1776
66 Hernandez, Maria*	72 PO Box 613	7/4/1776
67 Hill, Donita	73 307 W Front St	7/4/1776
68 Hill, Kim*	74 125 Michigan Ave	7/4/1776
69 Hodges, Lacey*	75 501 FM 1749	7/4/1776
70 Noland, Reginald*	77 PO Box 34	7/4/1776
71 Horton, Casey*	78 200 N Hwy 101	7/4/1776
72 Houston, Karen	79 116 Boone St	7/4/1776
73 Howerton, Kenneth+	80 401 FM 1749	7/4/1776
74 Howerton-Dobyns, Paige*	81 231 W. Cottage Grove Ave	7/4/1776
75 Huddleston, Biff*	82 325 Denver Road	7/4/1776
76 Jackson, David R*	83 401 Hwy 101 N	7/4/1776
77 Jackson, Jeff+	84 506 First St	7/4/1776
78 Jackson, Tina	85 P.O. Box 87	7/4/1776
79 Jackson, Kurt	86 424 FM 1749	7/4/1776
80 Kirkland, Joyce*	87 624 E. Front St	7/4/1776
81 Lawler, Regina	88 325 Sunset School Road	7/4/1776
82 Lewis, Shirley*	89 219 Michigan Ave	7/4/1776
83 Lopez, Mary Anne+	90 636 E Front St	7/4/1776
84 Love, Jeffrey	91 501 First St	7/4/1776
85 Lowrance, Betty*	92 425 FM 1749	7/4/1776
86 Lowrance, Hazel*	93 3712 Colleyville Blvd	7/4/1776
87 Lowrance, Louie*	94 201 Proctor Ln	7/4/1776
88 Mancilla, Bernabe	95 482 Spur 511	7/4/1776
89 Mann, Hoyt/Brandy*	96 10589 Farmington Rd	7/4/1776
90 Ragland, Jennifer	98 500 E Front St	7/4/1776
91 McConnell, Wayne/HAS WEL	99 P.O. Box 133	7/4/1776
92 McDaniel, David*	100 206 Spur 511	7/4/1776
93 McDow, Jason+	101 301 E. Cottage Grove Ave	7/4/1776
94 McKenzie, Laurie*	102 113 Hubbard St	7/4/1776
95 Medley, Linda*	103 730 Hwy 101 N	7/4/1776
96 Meigs, Christine*	104 124 Greenwood	7/4/1776
97 Menning, Issiah*	105 113 1st St	7/4/1776
98 Milam, Mandy	106 100 W. Cottage Grove Ave	7/4/1776
99 Moore, Karen*	107 119 Greenwood Ave	7/4/1776
100 Moose, Frances	108 118 Boone St	7/4/1776

101 Morris, Darlene*	109 3550 Hilcrestt, Apt.217	7/4/1776
102 Mowle, Keith*	110 225 W Front St	7/4/1776
103 Oney, Dusty+	111 349 Hwy 101 West	7/4/1776
104 Oney, Regina*	112 137 Motley Ln	7/4/1776
105 Orozco, Manuel/METER PULI	113 331 Tiger St	7/4/1776
106 Ostrow, Jessica*	114 PO Box 13	7/4/1776
107 Phariss, Floyd Lee*	115 318 Spur 511	7/4/1776
108 Riddles, Emma C	117 125 Denver Rd	7/4/1776
109 Riggs, Dana	118 101 Denver Rd	7/4/1776
110 Ruiz, Elizabeth	119 218 FM 1749	7/4/1776
111 Russell, Danny/Doris*	120 219 Spur 511	7/4/1776
112 Sanchez, Reuben*	121 637 Hwy 101 N	7/4/1776
113 Shaffer, Kayla	122 36 Hwy 101 N	7/4/1776
114 Shaffer, Kenneth	123 313 Wabash Ave	7/4/1776
115 Shepard, Barbara*	124 191 PR 1601	7/4/1776
116 Sherwood, Christie+	125 6202 Old Decatur	7/4/1776
117 Shoefstall, Billy*	126 572 Spur 511	7/4/1776
118 Shriver, Bryan*	127 113 Wade Rd	7/4/1776
119 Shriver, Barbara*	128 PO Box 36	7/4/1776
120 Siebert, Scott/Wendy+	129 213 Wade Rd	7/4/1776
121 Vega, Bobby*	130 613 W Front S.	7/4/1776
122 Slade, Lyndi*	131 412 Spur 511	7/4/1776
123 Smith, Tina & Kevin*	132 PO Box 246	7/4/1776
124 Nanny May's Cafe/T.Smith	133 PO Box 246	7/4/1776
125 Smith, William/METER PULL	134 349 Hwy 101	7/4/1776
126 Smout, Scott	135 331 Spur 511	7/4/1776
127 Sneath, Richard	136 712 Spur 511	7/4/1776
128 Malley, Tina*	137 230 Proctor Ln	7/4/1776
129 Stringfellow, Trevor	139 252 Wade Rd	7/4/1776
130 Sunset Community Park	140 c/o DAN RUSSELL	7/4/1776
131 Sunset Gas & Grill	141 101 S. Council Dr	7/4/1776
132 First United Methodist	142 506 Taylor Rd	7/4/1776
133 Sunset RV Park	143 800 Spur 511	7/4/1776
134 Sunset Trading Post	144 946 Spur 511	7/4/1776
135 Sunset Vol Fire Dept	145 DO NOT MAIL BILL	7/4/1776
136 Swanson, Josh+	146 243 Campbell Ln	7/4/1776
137 Thomason, Charles L*	147 131 Campbell Ln	7/4/1776
138 Thomason, Tressa/LOCKED	148 100 Willett Rd	7/4/1776
139 PULLED METER	149 Throneberry, Orvell	7/4/1776
140 Torres, Patricia+	150 212 Wade Rd	7/4/1776
141 Turnipseed, Joe*	151 201 Hubbard St	7/4/1776
142 United States Post Office	152 107 Hwy 101 W	7/4/1776
143 Mocio, Genevieve/LOCKED	153 137 Franklin Ln	7/4/1776
144 DUP TO ACCT 180	154	7/4/1776
145 Wey, Michael+	155 PO Box 1407	7/4/1776
146 Whatley, Robert & Kathy*	156 348 Hwy 101 W	7/4/1776
147 Whitson, Ron*	157 P.O. Box 204	7/4/1776
148 Willett, Juanita*	158 125 Wabash Ave.	7/4/1776
149 Woodling, James T*	159 1124 Mesa Crest Dr	7/4/1776
150 Woods, Jimmy	160 231 Hwy 101 West	7/4/1776
151 Villaneda. April	161 168 Vardas Loop	7/4/1776
152 Ybarra, Ommero & Jessica*	162 237 Norvell Lane	7/4/1776
153 Ybarra, Ommero & Jessica*	164 237 Norvell Lane	7/4/1776
154 Zachry, Betty	165 307 E Cottage Grove Ave	7/4/1776
155 First Baptist Church	167 PO Box 217	7/4/1776
156 Byrd, Rusty+	175 312 FM 1749	7/4/1776
157 Smith, Sharon	176 111 Bellows	7/4/1776
158 Vacant	178 207 Sunset School Rd	7/4/1776
159 Curry, Julie/NO METER	179 980 US Highway 287	7/4/1776
160 Casper, Francis	181 748 Hwy 101 N.	7/4/1776

All Customers

Patterson Water Supply

**COMPANY AGREEMENT OF
PATTERSON WATER SUPPLY, LLC**

THIS COMPANY AGREEMENT (the "Agreement") is made and entered into effective July 1, 2019 (the "Effective Date"), by and among: Mark Patterson, David Patterson, and James Carney, (individually referred to as a "Member" and collectively referred to as the "Members").

SECTION 1 - THE LIMITED LIABILITY COMPANY

1.1 Formation. Effective July 23, 2013, Mark Patterson and David Patterson formed Patterson Water Supply, LLC, pursuant to the laws of the State of Texas (the "Company"). Mark Patterson and David Patterson are the original members of the Company, and desire to add a third member, James Carney, pursuant to the terms set forth herein. The Members each individually and collectively desire for the terms of this Agreement to control the business and financial operations of the Company beginning on the Effective Date.

1.2 Company or Operating Agreement. No previous operating or company agreement related to Company exists as of the Effective Date, and this Agreement shall therefore control all business and financial operations of the Company beginning on the Effective Date. The Members agree to make the appropriate filings with the State of Texas related to the addition of James Carney. The rights and obligations of the Members are as provided in Chapter 101 of the Texas Business Organizations Code (the "Act"), except as otherwise expressly provided in this Agreement.

1.3 Name. The business of the Company will be conducted under the name Patterson Water Supply, LLC, or such other name upon which the Members may unanimously agree.

1.4 Purpose. The purpose of the Company is to engage in any lawful act or activity for which a Limited Liability Company may be formed within the State of Texas.

1.5 Office. The Company will maintain its principal business office within the State of Texas at the following address: 9963 U.S. Hwy 377 South, Collinsville, Texas 76233.

1.6 Registered Agent. Mark Patterson, at the address under Section 1.5, shall be named as the registered agent for Company, unless otherwise agreed to by a Majority of the Members. Any changes to the registered agent must be reported to the Secretary of State pursuant to the Act.

1.7 Term. The Company shall continue perpetually unless sooner terminated as provided in this Agreement.

1.8 Names and Addresses of Members. The Members' names and addresses as of the effective date are attached as Schedule 1 to this Agreement.

1.9 Admission of Additional Members. Except as otherwise expressly provided in this Agreement, no additional members may be admitted to the Company through issuance by the company of a new interest in the Company without the prior unanimous written consent of the Members.

SECTION 2 - CAPITAL CONTRIBUTIONS

2.1 Initial Contributions Based on Valuation as of Effective Date. The Members have or shall, as applicable pursuant to this section, contribute to the Company capital as described in Schedule 2 attached to this Agreement. Mark Patterson and David Patterson have previously contributed the

contributions listed in Schedule 2 based upon the Company valuation as of the Effective Date, and are not required to provide any initial capital or contribution prior to or after the Effective Date, unless as set forth under Section 2.2. James Carney is required to contribute the funds as set forth in Schedule 2 in order to become a Member of Company pursuant to this Agreement. In the event James Carney contributes less than the total required capital contribution of THREE HUNDRED SEVENTY FIVE THOUSAND AND 00/100 Dollars (\$375,000.00) set forth in Schedule 2, the contribution figures and percentage of ownership under Schedule 2 and the valuation under Schedule 3 shall be adjusted on a pro rata basis according to the precise contribution made by James Carney. In the event James Carney makes no/zero (\$0.00) capital contribution by February 28, 2020, this Agreement shall terminate as to James Carney.

2.2 Additional Contributions. No Member shall be obligated to make any additional contribution to the Company's capital without the prior unanimous written consent of the Members.

2.3 No Interest on Capital Contributions. Members are not entitled to interest or other compensation for or on account of their capital contributions to the Company except to the extent, if any, expressly provided in this Agreement.

SECTION 3 - ALLOCATION OF PROFITS AND LOSSES; DISTRIBUTIONS

3.1 Profits/Losses. For financial accounting and tax purposes, the Company's net profits or net losses shall be determined on an annual basis and shall be allocated to the Members in proportion to each Member's relative capital interest in the Company as set forth in Schedule 2 as amended from time to time in accordance with U.S. Department of the Treasury Regulation 1.704-1.

3.2 Distributions. The Members shall determine and distribute available funds annually or at more frequent intervals as they see fit. Available funds, as referred to herein, shall mean the net cash of the Company available after appropriate provision for expenses and liabilities, as determined by the Managers. Distributions in liquidation of the Company or in liquidation of a Member's interest shall be made in accordance with the positive capital account balances pursuant to U.S. Department of the Treasury Regulation 1.704.1(b)(2)(ii)(b)(2). To the extent a Member shall have a negative capital account balance, there shall be a qualified income offset, as set forth in U.S. Department of the Treasury Regulation 1.704.1(b)(2)(ii)(d).

3.3 No Right to Demand Return of Capital. No Member has any right to any return of capital or other distribution except as expressly provided in this Agreement. No Member has any drawing account in the Company.

SECTION 4 - INDEMNIFICATION

The Company shall indemnify any person who was or is a party defendant or is threatened to be made a party defendant, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company) by reason of the fact that he is or was a Member of the Company, Manager, employee or agent of the Company, or is or was serving at the request of the Company, against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if the Members determine that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company, and with respect to any criminal action proceeding, has no reasonable cause to believe his/her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of "no lo Contendere" or its equivalent, shall not in itself create a

presumption that the person did or did not act in good faith and in a manner which he reasonably believed to be in the best interest of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his/her conduct was lawful

SECTION 5 - POWERS AND DUTIES OF MANAGERS

5.1 Management of Company.

5.1.1 The Members, within the authority granted by the Act and the terms of this Agreement shall have the complete power and authority to manage and operate the Company and make all decisions affecting its business and affairs. Mark Patterson shall be the Managing Member (also referred to as President) of the Company.

5.1.2 Except as otherwise provided in this Agreement, all decisions and documents relating to the management and operation of the Company shall be made and executed by a Majority in Interest of the Members.

5.1.3 Third parties dealing with the Company shall be entitled to rely conclusively upon the power and authority of a Majority in Interest of the Members to manage and operate the business and affairs of the Company.

5.2 *Decisions by Members.* Whenever in this Agreement reference is made to the decision, consent, approval, judgment, or action of the Members, unless otherwise expressly provided in this Agreement, such decision, consent, approval, judgment, or action shall mean a Majority of the Members.

5.3 *Withdrawal by a Member.* A Member has no power to withdraw from the Company, except as otherwise provided in Section 8.

SECTION 6 - SALARIES, REIMBURSEMENT, AND PAYMENT OF EXPENSES

6.1 **Organization Expenses.** All expenses incurred in connection with organization of the Company will be paid by the Company.

6.2 **Salary.** No salary will be paid to a Member for the performance of his or her duties under this Agreement unless the salary has been approved in writing by a Majority of the Members.

6.3 **Legal and Accounting Services.** The Company may obtain legal and accounting services to the extent reasonably necessary for the conduct of the Company's business.

SECTION 7 - BOOKS OF ACCOUNT, ACCOUNTING REPORTS, TAX RETURNS, FISCAL YEAR, BANKING

7.1 **Method of Accounting.** The Company will use the method of accounting previously determined by the Members for financial reporting and tax purposes.

7.2 **Fiscal Year; Taxable Year.** The fiscal year and the taxable year of the Company is the calendar year.

7.3 **Capital Accounts.** The Company will maintain a Capital Account for each Member on a cumulative basis in accordance with federal income tax accounting principles.

7.4 **Banking.** All funds of the Company will be deposited in a separate bank account or in an account or accounts of a savings and loan association in the name of the Company as determined by a Majority of the Members. Company funds will be invested or deposited with an institution, the accounts or deposits of which are insured or guaranteed by an agency of the United States

government.

SECTION 8 - TRANSFER OF MEMBERSHIP INTEREST

8.1 Sale or Encumbrance Prohibited. Except as otherwise permitted in this Agreement, no Member may voluntarily or involuntarily transfer, sell, convey, encumber, pledge, assign, or otherwise dispose of (collectively, "Transfer") an interest in the Company without the prior written consent of a majority of the other non-transferring Members determined on a per capita basis. Any transfer of shares required by law shall confer only an economic right as set forth in Section 8.4, unless and until a majority of the other Members determined on a per capita basis admit the transferee as a Member in accordance with the provisions of Section 8.3.

8.2 Right of First Refusal. Notwithstanding Section 8.1 and subject to Section 8.3, a Member may transfer all or any part of the Member's interest in the Company (the "Interest") as follows:

8.2.1 The Member desiring to transfer his or her Interest first must provide written notice (the "Notice") to the other Members, specifying the price and terms on which the Member is prepared to sell the Interest (the "Offer").

8.2.2 For a period of 30 days after receipt of the Notice, the Members may acquire all, but not less than all, of the Interest at the price and under the terms specified in the Offer. If the other Members desiring to acquire the Interest cannot agree among themselves on the allocation of the Interest among them, the allocation will be proportional to the Ownership Interests of those Members desiring to acquire the Interest.

8.2.3 Closing of the sale of the Interest will occur as stated in the Offer; provided, however, that the closing will not be less than 45 days after expiration of the 30- day notice period.

8.2.4 If the other Members fail or refuse to notify the transferring Member of their desire to acquire all of the Interest proposed to be transferred within the 30-day period following receipt of the Notice, then the Members will be deemed to have waived their right to acquire the Interest on the terms described in the Offer, and the transferring Member may sell and convey the Interest consistent with the Offer to any other person or entity; provided, however, that notwithstanding anything in Section 8.2 to the contrary, should the sale to a third person be at a price or on terms that are more favorable to the purchaser than stated in the Offer, then the transferring Member must reoffer the sale of the Interest to the remaining Members at that other price or other terms; provided, further, that if the sale to a third person is not closed within six months after the expiration of the 30-day period describe above, then the provisions of Section 8.2 will again apply to the Interest proposed to be sold or conveyed.

8.2.5 Notwithstanding the foregoing provisions of Section 8.2, should the sole remaining Member be entitled to and elect to acquire all the Interests of the other Members of the Company in accordance with the provisions of Section 8.2, the acquiring Member may assign the right to acquire the Interests to a spouse, lineal descendent, or an affiliated entity if the assignment is reasonably believed to be necessary to continue the existence of the Company as a limited liability company.

8.3 Substituted Parties. Any transfer in which the Transferee becomes a fully substituted Member is not permitted unless and until:

8.3.1 The transferor and assignee execute and deliver to the Company the documents and instruments of conveyance necessary or appropriate in the opinion of counsel to the Company to effect the transfer and to confirm the agreement of the permitted assignee to be

bound by the provisions of this Agreement; and

8.3.2 The transferor furnishes to the Company an opinion of counsel, satisfactory to the Company, that the transfer will not cause the Company to terminate for federal income tax purposes or that any termination is not adverse to the Company or the other Members.

8.4 Death, Incompetency, or Bankruptcy of Member. On the death, adjudicated incompetence, or bankruptcy of a Member, unless the Company exercises its rights under Section 8.5, the successor in interest to the Member (whether an estate, bankruptcy trustee, or otherwise) will receive only the economic right to receive distributions whenever made by the Company and the Member's allocable share of taxable income, gain, loss, deduction, and credit (the "Economic Rights"), unless and until a majority of the other Members determined on a per capita basis admit the transferee as a fully substituted Member in accordance with the provisions of Section 8.3.

8.4.1 Any transfer of Economic Rights pursuant to Section 8.4 will not include any right to participate in management of the Company, including any right to vote, consent to, and will not include any right to information on the Company or its operations or financial condition. Following any transfer of only the Economic Rights of a Member's Interest in the Company, the transferring Member's power and right to vote or consent to any matter submitted to the Members will be eliminated, and the Ownership Interests of the remaining Members, for purposes only of such votes, consents, and participation in management, will be proportionately increased until such time, if any, as the transferee of the Economic Rights becomes a fully substituted Member.

8.5 Death Buy Out. Notwithstanding the foregoing provision of Section 8, the Members covenant and agree that on the death of any Member, the Company, at its option, by providing written notice to the estate of the deceased Member within 180 days of the death of the Member, may purchase, acquire, and redeem the Interest of the deceased Member in the Company pursuant to the provision of Section 8.5.

8.5.1 The value of each Member's Interest in the Company will be determined pursuant to Schedule 2, and the value will be endorsed on Schedule 3 attached and made a part of this Agreement. The Members will use their best efforts to endorse those values on Schedule 3. The purchase price for a decedent Member's interest conclusively is the value last determined before the death of such Member; provided, however, that if the latest valuation is more than two years before the death of the deceased Member, the provisions of Section 8.5.2 will apply in determining the value of the Member's Interest in the Company.

8.5.2 If the Members have failed to value the deceased Member's Interest within the prior two-year period, the value of each Member's Interest in the Company on the date of death, in the first instance, will be determined by mutual agreement of the surviving Members and the personal representative of the estate of the deceased Member. If the parties cannot reach an agreement on the value within 30 days after the appointment of the personal representative of the deceased Member, then the surviving Members and the personal representative each must select a qualified appraiser within the next succeeding 30 days. The appraisers so selected must attempt to determine the value of the Company Interest owned by the decedent at the time of death based solely on their appraisal of the total value of the Company's assets and the amount the decedent would have received had the assets of the Company been sold at that time for an amount equal to their fair market value and the proceeds (after payment of all Company obligations) were distributed in the manner contemplated in Section 8. The

appraisal may not consider and discount for the sale of a minority Interest in the Company. In the event the appraisers cannot agree on the value within 30 days after being selected, the two appraisers must, within 30 days, select a third appraiser. The value of the Interest of the decedent in the Company and the purchase price of it will be the average of the two appraisals nearest in amount to one another. That amount will be final and binding on all parties and their respective successors, assigns, and representatives. The costs and expenses of the third appraiser and any costs and expenses of the appraiser retained but not paid for by the estate of the deceased Member will be offset against the purchase price paid for the deceased Member's Interest in the Company.

8.5.3 Closing of the sale of the deceased Member's Interest in the Company will be held at the office of the Company on a date designated by the Company, not be later than 90 days after agreement with the personal representative of the deceased Member's estate on the fair market value of the deceased Member's Interest in the Company; provided, however, that if the purchase price are determined by appraisals as set forth in Section 8.5.2, the closing will be 30 days after the final appraisal and purchase price are determined. If no personal representative has been appointed within 60 days after the deceased Member's death, the surviving Members have the right to apply for and have a personal representative appointed.

8.5.4 At closing, the Company will pay the purchase price for the deceased Member's Interest in the Company. If the purchase price is less than \$1,000.00, the purchase price will be paid in cash; if the purchase price is \$1,000.00 or more, the purchase price will be paid as follows:

(1) \$1,000.00 in cash, bank cashier's check, or certified funds;

(2) The balance of the purchase price by the Company executing and delivering its promissory note for the balance, with interest at the prime interest rate stated by primary banking institution utilized by the Company, its successors and assigns, at the time of the deceased Member's death. Interest will be payable monthly, with the principal sum being due and payable in three equal annual installments. The promissory note will be unsecured and will contain provisions that the principal sum may be paid in whole or in part at any time, without penalty.

8.5.5 At the closing, the deceased Member's estate or personal representative must assign to the Company all of the deceased Member's Interest in the Company free and clear of all liens, claims, and encumbrances, and, at the request of the Company, the estate or personal representative must execute all other instruments as may reasonably be necessary to vest in the Company all of the deceased Member's right, title, and interest in the Company and its assets. If either the Company or the deceased Member's estate or personal representative fails or refuses to execute any instrument required by this Agreement, the other party is hereby granted the irrevocable power of attorney which, it is agreed, is coupled with an interest, to execute and deliver on behalf of the failing or refusing party all instruments required to be executed and delivered by the failing or refusing party.

8.5.6 On completion of the purchase of the deceased Member's Interest in the Company, the Ownership Interests of the remaining Members will increase proportionately to their then existing Ownership Interests.

SECTION 9 - DISSOLUTION AND WINDING UP OF THE COMPANY

9.1 **Dissolution.** The Company will be dissolved on the happening of any of the following events:

9.1.1 Sale, transfer, or other disposition of all or substantially all of the property of the Company;

9.1.2 The agreement of all of the Members;

9.1.3 By operation of law; or

9.1.4 The death, incompetence, expulsion, or bankruptcy of a Member, or the occurrence of any event that terminates the continued membership of a Member in the Company, unless there are then remaining at least the minimum number of Members required by law and all of the remaining Members, within 120 days after the date of the event, elect to continue the business of the Company.

9.2 **Winding Up.** On the dissolution of the Company (if the Company is not continued), the Members must take full account of the Company's assets and liabilities, and the assets will be liquidated as promptly as is consistent with obtaining their fair value, and the proceeds, to the extent sufficient to pay the Company's obligations with respect to the liquidation, will be applied and distributed, after any gain or loss realized in connection with the liquidation has been allocated in accordance with Section 3 of this Agreement, and the Members' Capital Accounts have been adjusted to reflect the allocation and all other transactions through the date of the distribution, in the following order:

9.2.1 To payment and discharge of the expenses of liquidation and of all the Company's debts and liabilities to persons or organizations other than Members;

9.2.2 To the payment and discharge of any Company debts and liabilities owed to Members; and

9.2.3 To Members in the amount of their respective adjusted Capital Account balances on the date of distribution; provided, however, that any then outstanding Default Advances (with interest and costs of collection) first must be repaid from distributions otherwise allocable to the Defaulting Member pursuant to Section 9.2.3.

SECTION 10 - GENERAL PROVISIONS

10.1 **Amendments.** Amendments to this Agreement may be proposed by any Member. A proposed amendment will be adopted and become effective as an amendment only on the written approval of a Majority of the Members.

10.2 **Governing Law.** This Agreement and the rights and obligations of the parties under it are governed by and interpreted in accordance with the laws of the State of Texas (without regard to principles of conflicts of law).

10.3 **Entire Agreement; Modification.** This Agreement constitutes the entire understanding and agreement between the Members with respect to the subject matter of this Agreement. No agreements, understandings, restrictions, representations, or warranties exist between or among the members other than those in this Agreement or referred to or provided for in this Agreement. No modification or amendment of any provision of this Agreement will be binding on any Member unless in writing and signed by all the Members.

10.4 **Attorney Fees.** In the event of any suit or action to enforce or interpret any provision of this Agreement (or that is based on this Agreement), the prevailing party is entitled to recover, in addition to other costs, reasonable attorney fees in connection with the suit, action, or arbitration, and in any

appeals. The determination of who is the prevailing party and the amount of reasonable attorney fees to be paid to the prevailing party will be decided by the court or courts, including any appellate courts, in which the matter is tried, heard, or decided.

10.5 **Further Effect.** The parties agree to execute other documents reasonably necessary to further effect and evidence the terms of this Agreement, as long as the terms and provisions of the other documents are fully consistent with the terms of this Agreement.

10.6 **Severability.** If any term or provision of this Agreement is held to be void or unenforceable, that term or provision will be severed from this Agreement, the balance of the Agreement will survive, and the balance of this Agreement will be reasonably construed to carry out the intent of the parties as evidenced by the terms of this Agreement.

10.7 **Captions.** The captions used in this Agreement are for the convenience of the parties only and will not be interpreted to enlarge, contract, or alter the terms and provisions of this Agreement.

10.8 **Notices.** All notices required to be given by this Agreement will be in writing and will be effective when actually delivered or, if mailed, when deposited as certified mail, postage prepaid, directed to the addresses first shown above for each Member or to such other address as a Member may specify by notice given in conformance with these provisions to the other Members.

[SIGNATURE PAGE TO FOLLOW]


IN WITNESS WHEREOF, the parties to this Agreement execute this Agreement as of the Effective Date

MEMBERS:

MARK Patterson
Printed/Typed Name


Signature

David J. Patterson
Printed/Typed Name


Signature

JAMES CARNEY
Printed/Typed Name

JAMES Carney
Signature

Listing of Members - Schedule 1

As of the Effective Date, the following is a list of Members of the Company:

Mark Patterson

David Patterson

James Carney

Listing of Capital Contributions and Ownership Interests - Schedule 2

Pursuant to ARTICLE 2, the valuation of the Company as of the Effective Date is ONE MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS AND 00/100s (\$1,450,000.00). The initial capital contribution and related ownership is to be completed in two (2) phases, and the description and each individual portion of this valuation and initial contribution is as follows:

PHASE 1 – Initial Contribution to be completed not later than August 1, 2019

NAME	CONTRIBUTION	% OWNERSHIP
Mark Patterson	\$797,500.00	55%
David Patterson	\$362,500.00	25%
James Carney	\$290,000.00	20%

PHASE 2 – Total Contribution to be completed not later than February 28, 2020

NAME	CONTRIBUTION	% OWNERSHIP
Mark Patterson	\$750,000.00	50%
David Patterson	\$375,000.00	25%
James Carney	\$375,000.00	25%

SIGNED AND AGREED this 2 day of July, 2019 ^{MP}

Mark Patterson
Printed/Typed Name

[Signature]
Signature

David Patterson
Printed/Typed Name

[Signature]
Signature

JAMES CARNEY
Printed/Typed Name

[Signature]
Signature

Listing of Valuation of Members Interest - Schedule 3

Pursuant to ARTICLE 8, the value of each Member's interest in the Company as of the Effective Date and pursuant and subject to the terms of ARTICLE 2 and Schedule 2 is endorsed as follows:

NAME	VALUATION ENDORSEMENT – Phase 1
<u>Mark Patterson</u>	\$797,500.00
<u>David Patterson</u>	\$362,500.00
<u>James Carney</u>	\$290,000.00

NAME	VALUATION ENDORSEMENT – Phase 2
<u>Mark Patterson</u>	\$750,000.00
<u>David Patterson</u>	\$375,000.00
<u>James Carney</u>	\$375,000.00

SIGNED AND AGREED this 2 day of July, 2019

Mark Patterson
Printed/Typed Name

[Signature]
Signature

David Patterson
Printed/Typed Name

[Signature]
Signature

JAMES CARNEY
Printed/Typed Name

James Carney
Signature

ACKNOWLEDGEMENTS

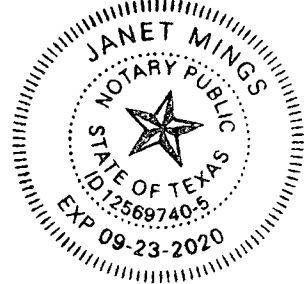
State of Texas

County of Grayson

On July 2, 2019 before me **Mark Patterson** personally appeared who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity(ies), and that by his signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Janet Mings



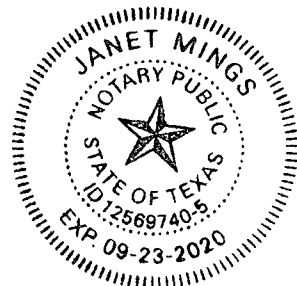
State of Texas

County of Grayson

On July 2, 2019 before me, **David Patterson** personally appeared who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity(ies), and that by his signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Janet Mings



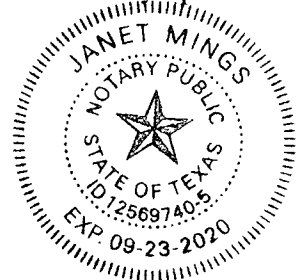
State of Texas

County of Grayson

On July 2, 2019 before me, **James Carney** personally appeared who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity(ies), and that by his signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.


Signature Janet Mings



Completion of Sale Agreement

On March 31, 2020 **James Carney** completed his option to purchase an additional 5% of PWS as agreed in Company Agreement of Patterson Water Supply LLC originally dated July 2, 2019. This will complete this agreement as described in Phase 2 schedule 2 of the agreement.

Date: March 31, 2020 Check # 5459 Amount **\$85,000.00**

Mark Patterson 

James Carney 

Witnessed By: Janet Mings 

Attachment E

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697



John Steen
Secretary of State

Office of the Secretary of State

CERTIFICATE OF FILING OF

PATTERSON WATER SUPPLY, LLC
File Number: 801820571

The undersigned, as Secretary of State of Texas, hereby certifies that a Certificate of Formation for the above named Domestic Limited Liability Company (LLC) has been received in this office and has been found to conform to the applicable provisions of law.

ACCORDINGLY, the undersigned, as Secretary of State, and by virtue of the authority vested in the secretary by law, hereby issues this certificate evidencing filing effective on the date shown below.

The issuance of this certificate does not authorize the use of a name in this state in violation of the rights of another under the federal Trademark Act of 1946, the Texas trademark law, the Assumed Business or Professional Name Act, or the common law.

Dated: 07/23/2013

Effective: 07/23/2013



A handwritten signature of John Steen.

John Steen
Secretary of State

Come visit us on the internet at <http://www.sos.state.tx.us/>

Phone: (512) 463-5555

Fax: (512) 463-5709

Dial: 7-1-1 for Relay Services

Prepared by: Debbie Gustafson

TID: 10306

Document: 491243940102

Form 205
(Revised 05/11)

This space reserved for office use.



**Certificate of Formation
Limited Liability Company**

Submit in duplicate to:
Secretary of State
P.O. Box 13697
Austin, TX 78711-3697
512 463-5555
FAX: 512 463-5709
Filing Fee: \$300

Article 1 – Entity Name and Type

The filing entity being formed is a limited liability company. The name of the entity is:

PATTERSON WATER SUPPLY, LLC

The name must contain the words "limited liability company," "limited company," or an abbreviation of one of these phrases.

Article 2 – Registered Agent and Registered Office

(See instructions. Select and complete either A or B and complete C.)

☐ A. The initial registered agent is an organization (cannot be entity named above) by the name of:

OR

☒ B. The initial registered agent is an individual resident of the state whose name is set forth below:

<u>MARK</u>		<u>PATTERSON</u>	
<i>First Name</i>	<i>M.I.</i>	<i>Last Name</i>	<i>Suffix</i>

C. The business address of the registered agent and the registered office address is:

<u>446 GRAHAMS GROVE ROAD</u>	<u>COLLINSVILLE</u>	<u>TX</u>	<u>76233</u>
<i>Street Address</i>	<i>City</i>	<i>State</i>	<i>Zip Code</i>

Article 3—Governing Authority

(Select and complete either A or B and provide the name and address of each governing person.)

☒ A. The limited liability company will have managers. The name and address of each initial manager are set forth below.

☐ B. The limited liability company will not have managers. The company will be governed by its members, and the name and address of each initial member are set forth below.

GOVERNING PERSON 1

NAME (Enter the name of either an individual or an organization, but not both.)

IF INDIVIDUAL

<u>MARK</u>		<u>PATTERSON</u>	
<i>First Name</i>	<i>M.I.</i>	<i>Last Name</i>	<i>Suffix</i>

OR

IF ORGANIZATION

Organization Name

ADDRESS

<u>446 GRAHAMS GROVE ROAD</u>	<u>COLLINSVILLE</u>	<u>TX</u>	<u>USA</u>	<u>76233</u>
<i>Street or Mailing Address</i>	<i>City</i>	<i>State</i>	<i>Country</i>	<i>Zip Code</i>

GOVERNING PERSON 2				
NAME (Enter the name of either an individual or an organization, but not both)				
IF INDIVIDUAL				
DAVID		PATTERSON		
<i>First Name</i>	<i>M.I.</i>	<i>Last Name</i>	<i>Suffix</i>	
OR				
IF ORGANIZATION				
<i>Organization Name</i>				
ADDRESS				
446 GRAHAMS GROVE ROAD	COLLINSVILLE	TX	USA	76233
<i>Street or Mailing Address</i>	<i>City</i>	<i>State</i>	<i>Country</i>	<i>Zip Code</i>

GOVERNING PERSON 3				
NAME (Enter the name of either an individual or an organization, but not both)				
IF INDIVIDUAL				
<i>First Name</i>	<i>M.I.</i>	<i>Last Name</i>	<i>Suffix</i>	
OR				
IF ORGANIZATION				
<i>Organization Name</i>				
ADDRESS				
<i>Street or Mailing Address</i>	<i>City</i>	<i>State</i>	<i>Country</i>	<i>Zip Code</i>

Article 4 – Purpose

The purpose for which the company is formed is for the transaction of any and all lawful purposes for which a limited liability company may be organized under the Texas Business Organizations Code.

Supplemental Provisions/Information

Text Area: [The attached addendum, if any, is incorporated herein by reference.]

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Organizer

The name and address of the organizer:

JOHN P GRAVES, CPA

Name

502 NORTH LOCUST ST

Street or Mailing Address

DENTON

City

TX 75201

State Zip Code

Effectiveness of Filing (Select either A, B, or C.)

- A. ☒ This document becomes effective when the document is filed by the secretary of state.
- B. ☐ This document becomes effective at a later date, which is not more than ninety (90) days from the date of signing. The delayed effective date is: _____
- C. ☐ This document takes effect upon the occurrence of the future event or fact, other than the passage of time. The 90th day after the date of signing is: _____

The following event or fact will cause the document to take effect in the manner described below:

Execution

The undersigned affirms that the person designated as registered agent has consented to the appointment. The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument and certifies under penalty of perjury that the undersigned is authorized to execute the filing instrument.

Date: 07-12-2013



Signature of organizer

JOHN P GRAVES, CPA

Printed or typed name of organizer

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PATTERSON WATER SUPPLY, LLC

06/05/20

Balance Sheet

Accrual Basis

As of December 31, 2018

	Dec 31, 18
ASSETS	
Current Assets	
Checking/Savings	
Patterson Water Supply	46,557.15
PWS Crazy Horse Ranch Water	13,046.25
PWS Sewer Repair Fund	41,619.75
PWS Water Well Fund	100.62
Total Checking/Savings	101,323.77
Other Current Assets	
A/R - PPS	52,138.00
A/R - PXC	500.00
A/R TWDB	120,780.00
Total Other Current Assets	173,418.00
Total Current Assets	274,741.77
Fixed Assets	
Accumulated Depreciation	-51,780.25
Cooley Point System Improvement	26,100.00
Equipment Improvements	109,680.26
New Well - Briar/Cooley	24,000.00
New Well - Vacation Village	232,688.88
Total Fixed Assets	340,688.89
TOTAL ASSETS	615,430.66
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	13,000.00
Total Accounts Payable	13,000.00
Other Current Liabilities	
Customer Deposits	33,296.23
Total Other Current Liabilities	33,296.23
Total Current Liabilities	46,296.23
Long Term Liabilities	
Note Payable - TWDB	120,780.00
Total Long Term Liabilities	120,780.00
Total Liabilities	167,076.23
Equity	
Member 1 Draws	-14,375.00
Member 1 Equity	266,115.50
Member 2 Draws	-8,125.00
Member 2 Equity	88,713.57
Retained Earnings	1,257.50
Net Income	114,767.86
Total Equity	448,354.43
TOTAL LIABILITIES & EQUITY	615,430.66

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PATTERSON WATER SUPPLY, LLC**Profit & Loss**

06/05/20

January through December 2018

Accrual Basis

	Jan - Dec 18
Ordinary Income/Expense	
Income	
Briar/Cooley Sales	144,136.62
Crazy Horse Ranch Sales	44,590.82
Other Income	9.77
TWDB Principal Forgiveness	18,000.00
Vacation Village Sales	332,478.38
Water Connection Fees	6,300.00
Total Income	545,515.59
Expense	
Bad Debt	1,257.50
Bank Service Charges	655.74
Base Commerce	7,815.14
Chemicals	2,425.02
Computer and Internet Expenses	205.00
Continuing Education	345.00
Contract Labor	6,130.00
Deluxe Checks	330.67
Depreciation Expense	17,720.73
GCD Fees	5,318.03
Guaranteed Payments to Partners	22,500.00
Insurance Expense	4,789.00
Lab Fees	6,877.85
Legal & Accounting	1,384.00
Membership Dues	400.00
Miscellaneous Exp	683.04
Office Supplies	836.48
Operation Expense	75,644.50
Postage & Delivery	3,376.00
Property Maintenance	2,205.00
Property Taxes Due	615.05
Repairs and Maintenance	
Labor	63,011.70
Parts	15,967.16
Total Repairs and Maintenance	78,978.86
Sewer Fees - City of Denton	126,994.09
Sewer Maintenance & Repairs	6,735.00
Software Updates	3,190.98
TCEQ-Regulatory Assess Fee	6,213.62
Telephone Expense	1,069.21
Travel Expense	1,853.00
Utilities	29,175.84
Well Repair & Maintenance	15,023.38
Total Expense	430,747.73
Net Ordinary Income	114,767.86
Net Income	114,767.86

PATTERSON WATER SUPPLY, LLC

06/05/20

Profit & Loss by Class

Accrual Basis

January through December 2018

	Aero Valley	Briar Oaks/Cooley Point	Crazy Horse Ranchos Water	Vacation Village	Unclassified	TOTAL
Ordinary Income/Expense						
Income						
Briar/Cooley Sales	0 00	144,136 62	0 00	0 00	0 00	144,136 62
Crazy Horse Ranch Sales	0 00	0 00	44,590 82	0 00	0 00	44,590 82
Other Income	9 77	0 00	0 00	0 00	0 00	9 77
TWDB Principal Forgiveness	0 00	18 000 00	0 00	0 00	0 00	18,000 00
Vacation Village Sales	0 00	0 00	0 00	332,478 38	0 00	332,478 38
Water Connection Fees	0 00	750 00	750 00	4,800 00	0 00	6,300 00
Total Income	9 77	162,886 62	45,340 82	337,278 38	0 00	545,515 59
Expense						
Bad Debt	0 00	0 00	0 00	0 00	1,257 50	1,257 50
Bank Service Charges	0 00	327 79	0 00	327 95	0 00	655 74
Base Commerce	0 00	2,373 35	781 42	4,660 37	0 00	7,815 14
Chemicals	0 00	583 34	253 75	1,587 93	0 00	2,425 02
Computer and Internet Expenses	0 00	102 50	0 00	102 50	0 00	205 00
Continuing Education	0 00	172 50	0 00	172 50	0 00	345 00
Contract Labor	0 00	0 00	6,130 00	0 00	0 00	6,130 00
Deluxe Checks	0 00	149 09	32 50	149 08	0 00	330 67
Depreciation Expense	0 00	11,257 14	0 00	6,483 59	0 00	17,720 73
GCD Fees	0 00	2,097 41	698 26	2,522 36	0 00	5,318 03
Guaranteed Payments to Partners	0 00	11,250 00	0 00	11,250 00	0 00	22,500 00
Insurance Expense	0 00	1,676 15	0 00	3,112 85	0 00	4,789 00
Lab Fees	0 00	2,037 79	4,218 85	621 21	0 00	6,877 85
Legal & Accounting	0 00	523 00	169 00	692 00	0 00	1,384 00
Membership Dues	0 00	140 00	0 00	260 00	0 00	400 00
Miscellaneous Exp	0 00	0 00	0 00	683 54	-0 50	683 04
Office Supplies	0 00	250 85	83 83	501 90	0 00	836 48
Operation Expense	0 00	21,735 00	11,909 50	42,000 00	0 00	75,644 50
Postage & Delivery	0 00	1,171 14	308 62	1,896 24	0 00	3,376 00
Property Maintenance	0 00	0 00	0 00	2,205 00	0 00	2,205 00
Property Taxes Due	0 00	615 05	0 00	0 00	0 00	615 05
Repairs and Maintenance						
Labor	0 00	10,294 70	4,412 50	48,304 50	0 00	63,011 70
Parts	0 00	4,863 79	1,280 69	9,822 68	0 00	15,967 16
Total Repairs and Maintenance	0 00	15,158 49	5,693 19	58 127 18	0 00	78,978 66
Sewer Fees - City of Denton	0 00	0 00	0 00	126,994 09	0 00	126,994 09
Sewer Maintenance & Repairs	0 00	0 00	0 00	6,735 00	0 00	6,735 00
Software Updates	0 00	1,308 34	76 60	1,806 04	0 00	3,190 98
TCEQ-Regulatory Assess Fee	193 71	2,590 83	0 00	3,429 08	0 00	6,213 62
Telephone Expense	0 00	240 00	0 00	829 21	0 00	1,069 21
Travel Expense	0 00	0 00	1,853 00	0 00	0 00	1,853 00
Utilities	0 00	6,020 28	2,210 07	20 945 49	0 00	29,175 84
Well Repair & Maintenance	0 00	14,991 07	0 00	32 31	0 00	15,023 38
Total Expense	193 71	96,771 21	34,418 39	288,107 42	1,257 00	430,747 73
Net Ordinary Income	-183 94	66,115 41	10,922 43	39,170 96	-1,257 00	114,767 66
Net Income	-183 94	66,115 41	10,922 43	39,170 96	-1,257 00	114,767 66

PATTERSON WATER SUPPLY, LLC
Statement of Cash Flows
January through December 2018

	<u>Jan - Dec 18</u>
OPERATING ACTIVITIES	
Net Income	114,767.86
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	1,257.50
A/R - Aero Valley	2,000.00
A/R - PPS	-30,000.00
A/R - PXC	-500.00
A/R TWDB	-120,780.00
Accounts Payable	13,000.00
Customer Deposits	2,802.10
PWS Aero Valley / PWS	-2,000.00
Net cash provided by Operating Activities	-19,452.54
INVESTING ACTIVITIES	
Accumulated Depreciation	17,720.73
Cooley Point System Improvement	-26,100.00
Equipment Improvements	-36,680.26
New Well - Vacation Village	-55,088.88
Net cash provided by Investing Activities	-100,148.41
FINANCING ACTIVITIES	
Note Payable - TWDB	120,780.00
Member 1 Draws	36,790.00
Member 1 Equity	78,346.50
Member 2 Draws	8,930.00
Member 2 Equity	26,120.16
Retained Earnings	-172,687.16
Net cash provided by Financing Activities	98,279.50
Net cash increase for period	-21,321.45
Cash at beginning of period	122,645.22
Cash at end of period	<u><u>101,323.77</u></u>

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Accrual Basis

PATTERSON WATER SUPPLY, LLC**Balance Sheet**

As of December 31, 2019

	Dec 31, 19
ASSETS	
Current Assets	
Checking/Savings	
Patterson Water Supply	31,908.21
PWS Horseshoe Bend Water	7,568.74
PWS Perrin Water System	1,274.73
PWS Sewer Repair Fund	5,958.41
PWS Sunset Water	5,175.36
Total Checking/Savings	51,885.45
Other Current Assets	
A/R - PPS	25,940.24
A/R - PXC	500.00
A/R TWDB	120,780.00
Total Other Current Assets	147,220.24
Total Current Assets	199,105.69
Fixed Assets	
Accumulated Depreciation	-83,339.69
Buildings - Pump Houses	43,074.04
Cooley Point System Improvement	56,136.44
Crazy Horse System Improvements	17,926.17
Equipment Improvements	85,468.51
New Well - Briar/Cooley	142,767.75
New Well - Vacation Village	232,688.88
Trailers	6,001.20
Total Fixed Assets	500,723.30
TOTAL ASSETS	699,828.99
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	-12,536.33
Total Accounts Payable	-12,536.33
Other Current Liabilities	
Customer Deposits	38,356.23
Total Other Current Liabilities	38,356.23
Total Current Liabilities	25,819.90
Long Term Liabilities	
Note Payable - Mark Patterson	30,000.00
Note Payable - TWDB	120,780.00
Total Long Term Liabilities	150,780.00
Total Liabilities	176,599.90
Equity	
Member 1 Draws	-13,125.00
Member 1 Equity	338,825.00
Member 2 Draws	-8,625.00
Member 2 Equity	109,616.74
Member 3 Draws	-4,500.00
Retained Earnings	-87.31
Net Income	101,124.66
Total Equity	523,229.09
TOTAL LIABILITIES & EQUITY	699,828.99

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Accrual Basis

PATTERSON WATER SUPPLY, LLC**Profit & Loss**

January through December 2019

	Jan - Dec 19
Ordinary Income/Expense	
Income	
Briar/Cooley Sales	146,484.70
Community RP Sales	38,210.58
Crazy Horse Ranch Sales	42,508.99
Danielsdale Sales	107,687.77
Horseshoe Bend System Sales	110,322.31
Other Income	8.58
Perrin Water Sales	42,046.19
Pilot Point Sales	2,250.30
Sewer Connection Fees	2,000.00
Sunset Water System Sales	57,524.10
Vacation Village Sales	333,556.47
Water Connection Fees	16,700.00
Total Income	899,299.99
Expense	
Bank Service Charges	1,093.98
Base Commerce	14,809.67
Chemicals	6,560.48
Continuing Education	395.00
Contract Labor	4,100.00
Deluxe Checks	1,001.45
Depreciation Expense	31,559.44
Equipment	20,734.56
Equipment Lease	3,000.00
GCD Fees	5,724.29
Insurance Expense	250.00
Interest Expense	450.00
Lab Fees	10,748.20
Legal & Accounting	8,316.10
Manager / Receiver Fees	15,826.80
Membership Dues	1,539.20
Miscellaneous Exp	-0.01
Office Supplies	1,234.84
Operation Expense	118,490.00
Postage & Delivery	7,128.94
PPS - Customer Misc Payclix	0.00
Property Maintenance	170.00
Property Taxes Due	582.68
Repairs and Maintenance	
Equipment	1,200.00
Labor	165,651.25
Parts	43,738.00
Repairs and Maintenance - Other	603.00
Total Repairs and Maintenance	211,192.25
Sewer Fees - City of Denton	155,351.50
Sewer Maintenance & Repairs	15,295.39
Software Updates	8,598.48
TCEQ-Regulatory Assess Fee	6,453.18
Telephone Expense	1,767.82
Travel Expense	12,776.51
Utilities	126,446.53
Well Repair & Maintenance	6,578.05
Total Expense	798,175.33
Net Ordinary Income	101,124.66
Net Income	101,124.66

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Accrual Basis

PATTERSON WATER SUPPLY, LLC

Profit & Loss by Class

January through December 2019

	Aero Valley	Briar Oaks/Cooley Point	Community RP Water System	Crazy Horse Ranchos Water	Danielsdale Water System	Horseshoe Bend
Ordinary Income/Expense						
Income						
Briar/Cooley Sales	0 00	146,005 31	0 00	0 00	0 00	0 00
Community RP Sales	0 00	0 00	37,867 36	0 00	0 00	0 00
Crazy Horse Ranch Sales	0 00	0 00	0 00	42,365 42	0 00	0 00
Danielsdale Sales	0 00	0 00	0 00	0 00	107,048 41	0 00
Horseshoe Bend System Sales	0 00	0 00	0 00	0 00	0 00	105,399 45
Other Income	8.58	0 00	0 00	0 00	0 00	0 00
Perrin Water Sales	0 00	0 00	0 00	0 00	0 00	0 00
Pilot Point Sales	0 00	0 00	0 00	0 00	0 00	0 00
Sewer Connection Fees	0 00	0 00	0 00	0 00	0 00	0 00
Sunset Water System Sales	0 00	0 00	0 00	0 00	0 00	0 00
Vacation Village Sales	0 00	0 00	0 00	0 00	0 00	0 00
Water Connection Fees	0 00	3,000 00	1,000 00	2,300 00	0 00	0 00
Total Income	8 58	149,005 31	38,867 36	44,665 42	107,048 41	105,399 45
Expense						
Bank Service Charges	0 00	255.76	100 10	77 55	100 12	108 50
Base Commerce	0 00	2,755 04	964 13	936 80	1,814 80	1,702 95
Chemicals	0 00	771 47	1,098 40	627 00	0 00	507 61
Continuing Education	0 00	395 00	0 00	0 00	0 00	0 00
Contract Labor	0 00	0 00	0 00	4,000 00	100 00	0 00
Deluxe Checks	0 00	166.03	65 90	39 55	65 91	190 65
Depreciation Expense	0 00	12,876 29	0 00	772 39	0 00	0 00
Equipment	0 00	0 00	0 00	0 00	0 00	0 00
Equipment Lease	0 00	0 00	0 00	0 00	0 00	0 00
GCD Fees	0 00	2,340 89	0 00	756 86	0 00	0 00
Insurance Expense	0 00	0 00	0 00	0 00	0 00	0 00
Interest Expense	0 00	450 00	0 00	0 00	0 00	0 00
Lab Fees	-339.30	1,757 73	516 62	2,463 15	479 55	105 00
Legal & Accounting	0 00	602 70	437 20	2,822 70	437 20	156 00
Manager / Receiver Fees	0 00	0 00	0 00	0 00	0 00	13,134 00
Membership Dues	0 00	529 00	0 00	81 00	0 00	0 00
Miscellaneous Exp	0 00	0 00	0 00	0 00	0 00	0 00
Office Supplies	0 00	208.02	58 09	68 41	108 89	241 52
Operation Expense	0 00	24,075 00	12,000 00	13,815 00	12,000 00	0 00
Postage & Delivery	0 00	1,185 39	598 83	467 49	1,058 18	889 13
PPS - Customer Misc Payclix	0 00	0 00	0 00	0 00	0 00	0 00
Property Maintenance	0 00	0 00	0 00	0 00	0 00	170.00
Property Taxes Due	0 00	582 68	0 00	0 00	0 00	0 00
Repairs and Maintenance						
Equipment	0 00	1,200.00	0 00	0 00	0 00	0 00
Labor	0 00	17,943.75	10,273 75	6,915 00	5,448 75	40,475 00
Parts	0 00	6,242 41	1,634 20	2,192 08	2,086.23	9,820 93
Repairs and Maintenance - Other	0 00	603 00	0 00	0 00	0 00	0 00
Total Repairs and Maintenance	0 00	25,989 16	11,907 95	9,107 08	7,534 98	50,295 93
Sewer Fees - City of Denton	0 00	0 00	0 00	0 00	0 00	0 00
Sewer Maintenance & Repairs	0 00	0 00	0 00	0 00	0 00	0 00
Software Updates	0 00	2,817 44	483 48	547 82	623 35	1,301 27
TCEQ-Regulatory Assess Fee	0 00	1,843 75	0 00	834 74	0 00	0 00
Telephone Expense	0 00	328.65	0 00	0 00	0 00	0 00
Travel Expense	0 00	0 00	0 00	2,060 00	0 00	7,733 72
Utilities	0 00	5,394 14	5,606 99	2,842 28	76,753 34	4,143 98
Well Repair & Maintenance	0 00	2,442.00	0 00	4,136.05	0 00	0 00
Total Expense	-339 30	87,766 14	33,837.69	46,455 87	101,076 32	80,680 26
Net Ordinary Income	347.88	61,239 17	5,029 67	-1,790 45	5,972 09	24,719 19
Net Income	347.88	61,239.17	5,029.67	-1,790.45	5,972.09	24,719.19

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Accrual Basis

PATTERSON WATER SUPPLY, LLC

Profit & Loss by Class

January through December 2019

	Perrin Water System	Pilot Point RWS	Sunset Water System	Vacation Village	Unclassified	TOTAL
Ordinary Income/Expense						
Income						
Briar/Cooley Sales	0.00	0.00	0.00	0.00	479.39	146,484.70
Community RP Sales	0.00	0.00	0.00	0.00	343.22	38,210.58
Crazy Horse Ranch Sales	0.00	0.00	0.00	0.00	143.57	42,508.99
Danielsdale Sales	0.00	0.00	0.00	0.00	639.36	107,687.77
Horseshoe Bend System Sales	0.00	0.00	0.00	0.00	4,922.86	110,322.31
Other Income	0.00	0.00	0.00	0.00	0.00	8.58
Perrin Water Sales	41,683.67	0.00	0.00	0.00	362.52	42,046.19
Pilot Point Sales	0.00	2,190.89	0.00	0.00	59.41	2,250.30
Sewer Connection Fees	0.00	0.00	0.00	2,000.00	0.00	2,000.00
Sunset Water System Sales	0.00	0.00	55,730.49	0.00	1,793.61	57,524.10
Vacation Village Sales	0.00	0.00	0.00	332,251.83	1,304.64	333,556.47
Water Connection Fees	1,000.00	0.00	3,000.00	6,400.00	0.00	16,700.00
Total Income	42,683.67	2,190.89	58,730.49	340,651.83	10,048.58	899,299.99
Expense						
Bank Service Charges	0.00	0.00	0.00	255.78	196.17	1,093.98
Base Commerce	626.24	0.00	654.08	5,202.14	153.49	14,809.67
Chemicals	691.70	0.00	1,076.45	1,787.85	0.00	6,560.48
Continuing Education	0.00	0.00	0.00	0.00	0.00	395.00
Contract Labor	0.00	0.00	0.00	0.00	0.00	4,100.00
Deluxe Checks	153.69	0.00	153.69	166.03	0.00	1,001.45
Depreciation Expense	0.00	0.00	0.00	17,553.56	357.20	31,559.44
Equipment	0.00	0.00	11,306.52	0.00	9,428.04	20,734.56
Equipment Lease	0.00	0.00	0.00	0.00	3,000.00	3,000.00
GCD Fees	0.00	0.00	0.00	2,626.54	0.00	5,724.29
Insurance Expense	250.00	0.00	0.00	0.00	0.00	250.00
Interest Expense	0.00	0.00	0.00	0.00	0.00	450.00
Lab Fees	1,800.08	922.21	1,241.33	1,801.83	0.00	10,748.20
Legal & Accounting	976.80	0.00	2,306.80	576.70	0.00	8,316.10
Manager / Receiver Fees	1,440.00	0.00	1,252.80	0.00	0.00	15,826.80
Membership Dues	0.00	0.00	0.00	929.20	0.00	1,539.20
Miscellaneous Exp	-0.01	0.00	0.00	0.00	0.00	-0.01
Office Supplies	59.88	8.60	79.53	401.90	0.00	1,234.84
Operation Expense	0.00	0.00	0.00	45,500.00	11,100.00	118,490.00
Postage & Delivery	414.02	62.70	508.03	1,945.17	0.00	7,128.94
PPS - Customer Misc Payclix	0.00	0.00	0.00	0.00	0.00	0.00
Property Maintenance	0.00	0.00	0.00	0.00	0.00	170.00
Property Taxes Due	0.00	0.00	0.00	0.00	0.00	582.68
Repairs and Maintenance						
Equipment	0.00	0.00	0.00	0.00	0.00	1,200.00
Labor	22,101.25	2,605.00	27,932.50	31,956.25	0.00	165,651.25
Parts	3,866.96	811.77	9,964.74	4,159.42	2,959.26	43,738.00
Repairs and Maintenance - Other	0.00	0.00	0.00	0.00	0.00	603.00
Total Repairs and Maintenance	25,968.21	3,416.77	37,897.24	36,115.67	2,959.26	211,192.25
Sewer Fees - City of Denton	0.00	0.00	0.00	155,351.50	0.00	155,351.50
Sewer Maintenance & Repairs	0.00	0.00	0.00	15,295.39	0.00	15,295.39
Software Updates	172.38	19.69	347.89	2,285.16	0.00	8,598.48
TCEQ-Regulatory Assess Fee	0.00	0.00	0.00	3,774.69	0.00	6,453.18
Telephone Expense	243.84	0.00	0.00	1,125.96	69.37	1,767.82
Travel Expense	1,980.55	0.00	1,002.24	0.00	0.00	12,776.51
Utilities	3,407.95	733.06	3,679.94	23,884.85	0.00	126,446.53
Well Repair & Maintenance	0.00	0.00	0.00	0.00	0.00	6,578.05
Total Expense	38,185.33	5,163.03	61,506.54	316,579.92	27,263.53	798,175.33
Net Ordinary Income	4,498.34	-2,972.14	-2,776.05	24,071.91	-17,214.95	101,124.66
Net Income	4,498.34	-2,972.14	-2,776.05	24,071.91	-17,214.95	101,124.66

PATTERSON WATER SUPPLY, LLC**Statement of Cash Flows**

January through December 2019

	Jan - Dec 19
OPERATING ACTIVITIES	
Net Income	101,124.66
Adjustments to reconcile Net Income to net cash provided by operations:	
A/R - PPS	26,197.76
Accounts Payable	-25,536.33
Customer Deposits	5,060.00
Net cash provided by Operating Activities	106,846.09
INVESTING ACTIVITIES	
Accumulated Depreciation	31,559.44
Buildings - Pump Houses	-43,074.04
Cooley Point System Improvement	-30,036.44
Crazy Horse System Improvements	-17,926.17
Equipment Improvements	24,211.75
New Well - Briar/Cooley	-118,767.75
Trailers	-6,001.20
Net cash provided by Investing Activities	-160,034.41
FINANCING ACTIVITIES	
Note Payable - Mark Patterson	30,000.00
Member 1 Draws	1,250.00
Member 1 Equity	72,709.50
Member 2 Draws	-500.00
Member 2 Equity	20,903.17
Member 3 Draws	-4,500.00
Retained Earnings	-116,112.67
Net cash provided by Financing Activities	3,750.00
Net cash increase for period	-49,438.32
Cash at beginning of period	101,323.77
Cash at end of period	51,885.45

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06/05/20

Accrual Basis

PATTERSON WATER SUPPLY, LLC**Balance Sheet**

As of June 5, 2020

	Jun 5, 20
ASSETS	
Current Assets	
Checking/Savings	
Patterson Water Supply	23,153.93
PWS Horseshoe Bend Water	5,965.05
PWS Perrin Water System	3,548.61
PWS Sewer Repair Fund	1,177.16
PWS Sunset Water	6,364.71
Total Checking/Savings	40,209.46
Other Current Assets	
A/R - PPS	25,940.24
A/R - PXC	500.00
A/R TWDB	120,780.00
Total Other Current Assets	147,220.24
Total Current Assets	187,429.70
Fixed Assets	
Accumulated Depreciation	-83,339.69
Buildings - Pump Houses	43,074.04
Cooley Point System Improvement	56,136.44
Crazy Horse System Improvements	17,926.17
Equipment Improvements	85,468.51
New Well - Briar/Cooley	201,577.75
New Well - Vacation Village	232,688.88
Trailers	6,001.20
Total Fixed Assets	559,533.30
TOTAL ASSETS	746,963.00
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	47,343.34
Total Accounts Payable	47,343.34
Other Current Liabilities	
Customer Deposits	40,319.85
Total Other Current Liabilities	40,319.85
Total Current Liabilities	87,663.19
Long Term Liabilities	
Note Payable - TWDB	120,780.00
Total Long Term Liabilities	120,780.00
Total Liabilities	208,443.19
Equity	
Member 1 Draws	-18,310.25
Member 1 Equity	338,825.00
Member 2 Draws	-16,030.13
Member 2 Equity	109,616.74
Member 3 Draws	-11,342.63
Retained Earnings	101,037.35
Net Income	34,723.73
Total Equity	538,519.81
TOTAL LIABILITIES & EQUITY	746,963.00

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Accrual Basis

PATTERSON WATER SUPPLY, LLC

Profit & Loss

June 1 - 5, 2020

	Jun 1 - 5, 20
Ordinary Income/Expense	
Income	
Briar/Cooley Sales	3,075.08
Community RP Sales	362.31
Crazy Horse Ranch Sales	947.50
Danielsdale Sales	425.18
Horseshoe Bend System Sales	2,955.92
Perrin Water Sales	481.67
Pilot Point Sales	209.62
Sunset Water System Sales	927.24
Vacation Village Sales	4,958.17
	<hr/>
Total Income	14,342.69
Expense	
Base Commerce	1,897.43
Chemicals	44.00
Daily Check MP	5,530.90
Lab Fees	168.00
Operation Expense	9,615.00
Postage & Delivery	690.40
Purchase Water	7,615.26
Repairs and Maintenance	29,992.95
Sewer Maintenance & Repairs	202.50
Utilities	1,379.12
	<hr/>
Total Expense	57,135.56
	<hr/>
Net Ordinary Income	-42,792.87
	<hr/>
Net Income	<u><u>-42,792.87</u></u>

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Accrual Basis

PATTERSON WATER SUPPLY, LLC
Profit & Loss by Class
 January through December 2020

	Briar Oaks/Cooley Point	Community RP Water System	Crazy Horse Ranchos Water	Danielsdale Water System	Horseshoe Bend	Perrin Water System
Ordinary Income/Expense						
Income						
Briar/Cooley Sales	70,736.49	0.00	581.57	0.00	0.00	0.00
Community RP Sales	0.00	20,628.17	0.00	0.00	0.00	0.00
Crazy Horse Ranch Sales	0.00	0.00	15,791.43	0.00	0.00	0.00
Danielsdale Sales	0.00	0.00	0.00	61,147.13	0.00	0.00
Horseshoe Bend System Sales	0.00	0.00	0.00	0.00	130,652.54	0.00
Other Income	0.00	0.00	0.00	0.00	0.00	0.00
Perrin Water Sales	0.00	0.00	0.00	0.00	0.00	31,836.63
Pilot Point Sales	0.00	0.00	0.00	0.00	0.00	0.00
Sunset Water System Sales	0.00	0.00	0.00	0.00	0.00	0.00
Vacation Village Sales	0.00	0.00	0.00	0.00	0.00	0.00
Water Connection Fees	1,500.00	0.00	2,300.00	0.00	0.00	0.00
Total Income	72,236.49	20,628.17	18,673.00	61,147.13	130,652.54	31,836.63
Expense						
Bank Service Charges	93.27	55.23	30.96	102.19	78.00	0.00
Base Commerce	1,426.51	888.09	524.45	1,584.13	3,327.63	806.77
Chemicals	4.00	270.75	114.00	0.00	0.00	498.75
Daily Check MP	0.00	0.00	0.00	-589.10	5,580.00	540.00
Deluxe Checks	0.00	0.00	0.00	0.00	22.28	74.70
Deposit Refund	0.00	0.00	0.00	50.00	0.00	0.00
Equipment	0.00	0.00	0.00	0.00	0.00	0.00
Equipment Lease	0.00	0.00	0.00	0.00	0.00	0.00
GCD Fees	0.00	619.03	1,724.02	0.00	4,721.73	0.00
Insurance Expense	0.00	0.00	0.00	0.00	0.00	0.00
Interest Expense	250.00	0.00	0.00	0.00	0.00	0.00
Lab Fees	0.00	0.00	443.46	106.97	63.00	342.35
Legal & Accounting	0.00	0.00	0.00	0.00	0.00	897.00
Manager / Receiver Fees	0.00	0.00	0.00	0.00	14,210.10	6,799.20
Miscellaneous Exp	0.00	0.00	0.00	0.00	0.00	0.00
Office Supplies	0.00	0.00	0.00	0.00	0.00	0.00
Operation Expense	10,592.13	7,711.93	7,476.68	17,506.28	96,071.49	17,323.18
Postage & Delivery	85.05	43.05	22.75	79.45	174.65	38.85
PPS - Customer Misc Payclix	675.00	0.00	0.00	0.00	0.00	0.00
Property Maintenance	0.00	0.00	0.00	0.00	720.00	0.00
Purchase Water	0.00	0.00	0.00	7,615.26	0.00	0.00
Repairs and Maintenance						
Equipment	0.00	10,739.70	0.00	0.00	0.00	0.00
Repairs and Maintenance - Other	1,035.00	450.00	1,599.76	0.00	10,657.78	3,733.81
Total Repairs and Maintenance	1,035.00	11,189.70	1,599.76	0.00	10,657.78	3,733.81
Sewer Fees - City of Denton	0.00	0.00	0.00	0.00	0.00	0.00
Sewer Maintenance & Repairs	0.00	0.00	0.00	0.00	0.00	0.00
TCEQ-Regulatory Assess Fee	0.00	0.00	0.00	0.00	0.00	1,053.17
Telephone Expense	0.00	0.00	0.00	0.00	0.00	0.00
Utilities	924.84	3,573.96	153.70	6,378.21	779.21	2,069.48
Well Registration	0.00	100.00	0.00	0.00	0.00	0.00
Total Expense	15,085.80	24,451.74	12,089.78	32,833.39	136,405.87	34,177.26
Net Ordinary Income	57,150.69	-3,823.57	6,583.22	28,313.74	-5,753.33	-2,340.63
Other Income/Expense						
Other Expense						
Ask My Accountant	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Expense	0.00	0.00	0.00	0.00	0.00	0.00
Net Other Income	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	57,150.69	-3,823.57	6,583.22	28,313.74	-5,753.33	-2,340.63

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Accrual Basis

PATTERSON WATER SUPPLY, LLC
Profit & Loss by Class
 January through December 2020

	Pilot Point RWS	Sunset Water System	Vacation Village	Unclassified	TOTAL
Ordinary Income/Expense					
Income					
Briar/Cooley Sales	0 00	0 00	0.00	983.32	72,301 38
Community RP Sales	0 00	0 00	0.00	26 71	20,654 88
Crazy Horse Ranch Sales	0 00	0 00	0 00	0 00	15,791 43
Danieldale Sales	0 00	0 00	0 00	273 29	61,420 42
Horseshoe Bend System Sales	0 00	0 00	0 00	2,347 98	133,000 52
Other Income	0 00	0 00	0 00	5,899 26	5,899.26
Perrin Water Sales	0 00	0 00	0 00	962 15	32,798 78
Pilot Point Sales	3,101 42	0 00	0.00	0 00	3,101 42
Sunset Water System Sales	0 00	45,561 99	0 00	0 00	45,561 99
Vacation Village Sales	0 00	0 00	145,477 11	1,067 59	146,544.70
Water Connection Fees	0 00	0 00	8,000.00	0.00	11,800.00
Total Income	3,101 42	45,561 99	153,477.11	11,560 30	548,874 78
Expense					
Bank Service Charges	0 00	0 00	175 33	0 00	534 98
Base Commerce	25 12	1,021 79	2,767 52	43 62	12,415 63
Chemicals	40.00	299 25	1,660 63	80 00	2,967 38
Daily Check MP	0 00	0 00	0 00	0 00	5,530 90
Deluxe Checks	0 00	69 21	0 00	185 61	351 80
Deposit Refund	0 00	0 00	0 00	0 00	50 00
Equipment	0 00	527 77	0 00	1,049 53	1,577 30
Equipment Lease	0 00	0 00	0 00	3,750 00	3,750 00
GCD Fees	99 63	1,315 86	1,458 70	0 00	9,938 97
Insurance Expense	0 00	0 00	0 00	9,259 99	9,259 99
Interest Expense	0 00	0 00	0 00	0 00	250 00
Lab Fees	21 00	300 35	0 00	1,445 18	2,722 31
Legal & Accounting	0 00	871 00	0 00	0 00	1,768 00
Manager / Receiver Fees	0 00	11,152.00	0 00	2,944 00	35,105 30
Miscellaneous Exp	0 00	0 00	0 00	5,468 00	5,468.00
Office Supplies	0 00	0 00	0 00	352.06	352.06
Operation Expense	1,978 33	28,002 76	17,348 67	46,687.17	250,698.62
Postage & Delivery	16 50	99 90	130 20	0 00	690.40
PPS - Customer Misc Payclix	0 00	0 00	0 00	-3,550.00	-2,875.00
Property Maintenance	0 00	0 00	0 00	0 00	720.00
Purchase Water	0 00	0 00	0 00	0 00	7,615 26
Repairs and Maintenance					
Equipment	0 00	0 00	0.00	0 00	10,739.70
Repairs and Maintenance - Other	630.00	7,741 89	4,144.71	0 00	29,992.95
Total Repairs and Maintenance	630 00	7,741 89	4,144 71	0.00	40,732 65
Sewer Fees - City of Denton	0 00	0 00	70,964.50	0 00	70,964 50
Sewer Maintenance & Repairs	0 00	0 00	202.50	0 00	202 50
TCEQ-Regulatory Assess Fee	0 00	0 00	0 00	5,224 95	6,278.12
Telephone Expense	0 00	0 00	106 95	281 32	388 27
Utilities	1,305 86	847 64	9,985 50	474 71	26,493 11
Well Registration	100 00	0 00	0 00	0 00	200.00
Total Expense	4,216.44	52,249 42	108,945 21	73,696 14	494,151 05
Net Ordinary Income	-1,115 02	-6,687 43	44,531 90	-62,135 84	54,723 73
Other Income/Expense					
Other Expense					
Ask My Accountant	0 00	20,000 00	0 00	0 00	20,000 00
Total Other Expense	0 00	20,000 00	0 00	0 00	20,000 00
Net Other Income	0 00	-20,000 00	0 00	0 00	-20,000 00
Net Income	-1,115.02	-26,687.43	44,531.90	-62,135.84	34,723.73

PATTERSON WATER SUPPLY, LLC**Statement of Cash Flows**January 1 through June 5, 2020

	<u>Jan 1 - Jun 5, 20</u>
OPERATING ACTIVITIES	
Net Income	34,723.73
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Payable	59,879.67
Customer Deposits	1,963.62
Net cash provided by Operating Activities	96,567.02
INVESTING ACTIVITIES	
New Well - Briar/Cooley	-58,810.00
Net cash provided by Investing Activities	-58,810.00
FINANCING ACTIVITIES	
Note Payable - Mark Patterson	-30,000.00
Member 1 Draws	-5,185.25
Member 2 Draws	-7,405.13
Member 3 Draws	-6,842.63
Net cash provided by Financing Activities	-49,433.01
Net cash increase for period	-11,675.99
Cash at beginning of period	51,885.45
Cash at end of period	<u><u>40,209.46</u></u>

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PATTERSON WATER SUPPLY, LLC

06/05/20

Balance Sheet

Accrual Basis

As of June 5, 2020

	Jun 5, 20
ASSETS	
Current Assets	
Checking/Savings	
Patterson Water Supply	23,153.93
PWS Horseshoe Bend Water	5,965.05
PWS Perrin Water System	3,548.61
PWS Sewer Repair Fund	1,177.16
PWS Sunset Water	6,364.71
Total Checking/Savings	40,209.46
Other Current Assets	
A/R - PPS	25,940.24
A/R - PXC	500.00
A/R TWDB	120,780.00
Total Other Current Assets	147,220.24
Total Current Assets	187,429.70
Fixed Assets	
Accumulated Depreciation	-83,339.69
Buildings - Pump Houses	43,074.04
Cooley Point System Improvement	56,136.44
Crazy Horse System Improvements	17,926.17
Equipment Improvements	85,468.51
New Well - Briar/Cooley	201,577.75
New Well - Vacation Village	232,688.88
Trailers	6,001.20
Total Fixed Assets	559,533.30
TOTAL ASSETS	746,963.00
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	47,343.34
Total Accounts Payable	47,343.34
Other Current Liabilities	
Customer Deposits	40,319.85
Total Other Current Liabilities	40,319.85
Total Current Liabilities	87,663.19
Long Term Liabilities	
Note Payable - TWDB	120,780.00
Total Long Term Liabilities	120,780.00
Total Liabilities	208,443.19
Equity	
Member 1 Draws	-18,310.25
Member 1 Equity	338,825.00
Member 2 Draws	-16,030.13
Member 2 Equity	109,616.74
Member 3 Draws	-11,342.63
Retained Earnings	101,037.35
Net Income	34,723.73
Total Equity	538,519.81
TOTAL LIABILITIES & EQUITY	746,963.00

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PATTERSON WATER SUPPLY, LLC
Statement of Cash Flows
January 1 through June 5, 2020

	Jan 1 - Jun 5, 20
OPERATING ACTIVITIES	
Net Income	34,723.73
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Payable	59,879.67
Customer Deposits	1,963.62
Net cash provided by Operating Activities	96,567.02
INVESTING ACTIVITIES	
New Well - Briar/Cooley	-58,810.00
Net cash provided by Investing Activities	-58,810.00
FINANCING ACTIVITIES	
Note Payable - Mark Patterson	-30,000.00
Member 1 Draws	-5,185.25
Member 2 Draws	-7,405.13
Member 3 Draws	-6,842.63
Net cash provided by Financing Activities	-49,433.01
Net cash increase for period	-11,675.99
Cash at beginning of period	51,885.45
Cash at end of period	40,209.46

Sunset

No Correct Sized Booster Pumps	Additional Pump \$4000 to \$6000	\$5,000.00
Well #2 Pump and Motor Missing	Replace Pump and Motor Well #2	\$6,200.00
Plug Abandoned Well	\$7,500	\$7,500.00
Plumbing in Pumphouse Sub Standard	\$500 /Parts / \$500 Labor	\$1,000.00
No well control systems	\$500/ per well X3	\$1,500.00
Fences overgrown with Vines / Trees	\$250 Labor	\$250.00
Needed Tank Maintenance	Unknown all need painted inside and out \$15,000	\$15,000.00
No Customer Lists	20 office hours @ 20.00 / hour	\$400.00
No Plant Manuals	7 office hours @ \$20.00 / hour	\$140.00
No Plant Schematics / As-built's	\$5000 for engineer	\$5,000.00
No Well Logs	10 office hours @ 20.00 / hour	\$200.00
No Sanitary Control Easements	10 office hours @ 20.00 / hour	\$200.00
No Monitoring Plan	5 office hours @ 20.00 / hour	\$100.00
Unpaid Charges for Samples at State Labs	Unknown	\$500.00
Unpaid Upper Trinity GCD Fee's	Unknown	\$1,200.00
No System Maps	\$500 to \$5000	\$2,500.00
Unknown Connections	Unknown amounts of water loss	?
Distribution Piping Replacement Plan	\$7,500 per year for 10 years	\$75,000.00
Customer Meters are very old need replaced	\$150 / per meter installed or water loss until changed	\$23,550.00
Finding Meter Locations	40 outside worker hours @ 30 / per hour	\$1,200.00

Total Repair Needs \$146,440.00

Monthly Charges

\$1,220.33	Old Repair Fund Monthly
\$1,200.00	New Repairs / Maintenance
\$1,000.00	Electricity
\$1,884.00	Recievers Fee
\$2,500.00	Operators Pay
\$500.00	Fuel
\$75.00	Lawn Maintenance
\$750.00	Truck / Insurance
\$500.00	Excavator Expense
\$280.00	Samples
\$500.00	Bookkeeping / Billing
\$200.00	GCD Fees
\$120.00	Physical / Liability Insurance

Monthly Need	Per Customer
\$10,729.33	\$68.34

Cause No. D-1-GN-18-002771

**STATE OF TEXAS and THE PUBLIC
UTILITY COMMISSION OF TEXAS,**

Plaintiffs,

V.

**DAVID A. FENOGLIO INDIVIDUALLY
and d/b/a SUNSET WATER
SYSTEM/OAK SHORES WATER
SYSTEM,**

Defendant.

www.pearsoned.com

IN THE DISTRICT COURT

TRAVIS COUNTY, TEXAS

459th JUDICIAL DISTRICT

AGREED ORDER APPOINTING RECEIVER

On June 21, 2019, Plaintiffs, the State of Texas (“State”) and the Public Utility Commission of Texas (“PUC”), filed its First Amended Original Petition and Application for the Appointment of a Receiver. On this day, Plaintiffs and the Defendant, David A. Fenoglio individually and d/b/a Sunset Water System/Oak Shores Water System, submitted to the Court this Agreed Order Appointing Receiver (“Agreed Order”). By the duly authorized signatures subscribed to this Agreed Order, all Parties represent to the Court that they agree to its terms. After consideration of the Plaintiffs’ Application for a Receiver, the pleadings, affidavits, and evidence on file, the Court makes the following findings and orders the following relief:

THE COURT FINDS:

1. On June 6, 2018, the State filed this enforcement action seeking civil penalties, unpaid regulatory assessment fees and water system fees, injunctive relief, and attorney's fees for Defendant's violations of the Texas Commission on Environmental Quality's ("TCEQ") rules, PUC's rules, and regulations adopted under Chapter 341 of the Texas Health & Safety Code.

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2. All violations arise from the operation of the Sunset Water System/Oak Shores Water System ("Water System" and "Utility"). From 2014 until after this suit was initially filed, Texas Rain Holding Company, Inc. ("Texas Rain" or "Operator") operated the Water System and Utility. A Default Judgment and Permanent Injunction ("Texas Rain Default Judgment") was granted against Texas Rain on December 19, 2018 and the Texas Rain Default Judgment was severed from the current proceeding and filed under a separate docket number (D-1-GN-18-007605 in the 201st District Court of Travis County, Texas).

3. David A. Fenoglio ("Fenoglio" or "Owner/Operator") owns the Water System and Utility and Texas Rain operated the Water System and Utility from at least June 1, 2014 until May 3, 2019.

4. The Water System and Utility is a "utility," a "water utility," and a "retail public utility" as those terms are defined in Tex. Water Code § 13.002. There is a fact question as to whether Fenoglio, d/b/a Sunset Water System/Oak Shores Water System or Perrin Water Systems, Inc. is the Owner/Operator of Sunset Water System/Oak Shores Water System. Fenoglio agrees that this Agreed Order Appointing Receiver is and will remain in force and effect on behalf of both himself and Perrin Water Systems, Inc., of which he is the owner.

5. On June 21, 2019, the State and PUC filed its First Amended Original Petition and Application for the Appointment of a Receiver seeking the appointment of a receiver to guarantee continuous and adequate service to the customers of the Water System and Utility. Texas Rain stopped operating the Water System and Utility on or about May 3, 2019.

The Owner/Operator has abandoned operation of the Water System and Utility

6. From at least August 15, 2017 to December 7, 2017 (and on information and belief, to the present), the Owner/Operator has failed to provide a well capacity of at least 0.6 gallons per

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connection. Therefore, the Court finds that the Owner/Operator has abandoned operation of the Water System and Utility by failing to provide appropriate water capacity, resulting in potential health hazards. Tex. Water Code § 13.412(f)(2).

7. From September 5, 2017 to November 9, 2018, on at least four occasions, the Owner/Operator has failed to maintain the free chlorine residual above 0.2 mg/L, as required by 30 Tex. Admin. Code § 290.110(b). Therefore, the Court finds that the Owner/Operator has abandoned operation of the Water System and Utility by failing to provide appropriate water treatment, resulting in potential health hazards. Tex. Water Code § 13.412(f)(2).

8. From January 16, 2018 to November 9, 2018, on at least two occasions, the Owner/Operator has failed to provide minimum water pressure at the Water System and Utility, as required by 30 Tex. Admin. Code § 290.46(r); and has failed to ensure all water treatment units, storage and pressure maintenance facilities, distribution system lines, and related appurtenances are maintained in watertight condition and free of excessive solids at the Water System and Utility on at least two occasions, as required by 30 Tex. Admin. Code § 290.46(m)(4). Therefore, the Court finds that the Owner/Operator has abandoned operation of the Water System and Utility by failing to adequately maintain facilities, resulting in potential health hazards. Tex. Water Code § 13.412(f)(3).

9. The Owner/Operator has failed to comply with a final order issued by the Public Utility Commission or Texas Commission on Environmental Quality. Tex. Water Code § 13.412(a)(3). TCEQ investigators have observed numerous instances of low water pressure, low chlorine residuals, and numerous leaks at the Water System and Utility and TCEQ has not received any compliance documentation from the Owner/Operator displaying compliance with the final order. Therefore, the Court finds that the Owner/Operator has abandoned operation of the Water

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System and Utility by failing to adhere to a final order issued by the Public Utility Commission or Texas Commission on Environmental Quality. Tex. Water Code § 13.412(a)(3).

A Receiver is necessary to guarantee continuous and adequate service to the customers of the Water System and Utility

10. Based upon the above stipulations and agreement evidenced by signature to this Order, the Court further finds that the appointment of a receiver is necessary to guarantee continuous and adequate service to the customers of the utility. Tex. Water Code § 13.412(b)(2).

THE COURT THEREFORE ORDERS:

11. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, are hereby ENJOINED to turn over exclusive possession and control of all the following assets to the Receiver appointed herein:

- a. The Water System and Utility, providing water service under PWS No. TX1690007 and CCN No. 11779, located at 11243 Highway 59N at the corner of West Front Street and Cottage Grove Avenue in Montague, Montague County, Texas 76251; and
- b. All real property, easements, pipes, fittings, housings, and other appurtenances and other property attached to or used in the said Water System and Utility; all monies generated by or through the said Water System and Utility, all current assets on hand, including cash, securities, cash equivalents, and all bank accounts used for the deposit of funds generated by or through that Water System and Utility and all current accounts receivable and all future accounts receivable generated by or through that Water System and Utility as they come due; and all water and other assets that in any way are produced by or used in connection with the said Water System and Utility, including all records of customer bills and payments, all records of accounts receivable or payable, all lists of customers, all maps showing the location of pipelines, valves, or meters, and all real estate records that in any way pertain to the Water System and Utility or the tracts on which they are located.

12. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, are ENJOINED to deliver to the Receiver, immediately and in no event later than 7 days

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after the date the Court signs this Order, all property (including checks, cash, and cash equivalents) related in any way to the Water System and Utility, that the Owner/Operator or anyone else receive on or after the date the Court signs this Order. Within 7 days of the date the Court signs this Order, the Owner/Operator shall deliver an accounting of the receipt and handling of that property to the Receiver and to Plaintiffs' attorney.

13. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, are ENJOINED to cooperate with the Receiver, so that the Receiver can ensure continued water service to all customers of the Water System and Utility.

14. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, are ENJOINED not to interfere in any way with the Receiver's sole right of possession and control of any of the assets hereby ordered to be turned over to the Receiver and not to interfere with any efforts by the Receiver to determine the nature, location, and amount of those assets.

15. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, are ENJOINED to provide the Receiver, upon the Receiver's request, all records the Owner/Operator may possess or control that may assist the Receiver in performing his duties under this Order.

16. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, are ENJOINED to forward to the Receiver, upon the Receiver's request, all correspondence

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relating to the Water System and Utility then in hand, and shall forward any additional correspondence as it is received.

17. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, shall, upon the Receiver's request, relinquish to the Receiver all documents and convey to the Receiver property, including leases that the Owner may own, related to the Water System and Utility.

18. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, shall, upon the Receiver's request, convey to the Receiver the real property described in Paragraph 11(a) of this Order.

19. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, are ENJOINED not to transact any business of the Water System and Utility in any manner whatsoever, except through the specific authority of this Court or the Receiver, and not to commence or prosecute any action or appeal, including, but not limited to, arbitration or mediation, and not to obtain or attempt to obtain any preference, judgment, attachment, garnishment, or lien or make any levy against the said Water System and Utility, against the assets thereof, or against the Receiver, except by doing so in the receivership proceeding herein.

20. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, are ENJOINED not to convey, dispose of, use, release, transfer, withdraw, allow to be withdrawn, or conceal in any manner any property or assets of the Owner related to the Water

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System and Utility, and not to dispose of any account, debt, deposit, equipment, or any other asset that the Owner may own, owe to, or hold for the benefit of the Water System and Utility or any of its customers, except that the Owner/Operator is specifically ORDERED to turn over all such property and assets to the exclusive control of the Receiver appointed herein.

THE COURT FURTHER ORDERS:

21. Any and all banks, savings and loan associations, trust companies, and any other persons, corporations, associations, depositories, and other legal entities are ENJOINED not to convert, dispose of, use, release, transfer, withdraw, allow to be withdrawn, or conceal in any manner any property or assets of the Owner/Operator related to the Water System and Utility, and not to dispose of any account, debt, deposit, equipment, or any other asset that the Owner/Operator may own, owe to, or hold for the benefit of the said Water System and Utility or any of its customers, except that they are specifically ORDERED to turn over such property and assets to the exclusive control of the Receiver appointed herein.

THE COURT FURTHER ORDERS:

22. Mark Patterson, Patterson Professional Services, is hereby appointed Receiver of all property described in this Order, and that upon taking the oath and filing the bond required by law, the Receiver shall be authorized, subject to the control of the Court, to do any and all acts necessary to the proper and lawful conduct of the receivership, not limited to the following:

- a. Collect the assets (including, but not limited to, all real property, easements, wells, tanks, treatment facilities, pipes, fittings, chlorinators, housings, and other appurtenances and other property attached to or used in the said Water System and Utility; all monies generated by or through the said Water System and Utility, all current assets on hand, including cash, securities, cash equivalents, all bank accounts and all current accounts receivable and all future accounts receivable as they come due, and all water and other assets that in any way are produced by or through or used in connection with the said Water System and Utility, including all records of customer bills and payments, all records of accounts receivable or payable, all lists of customers,

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all maps showing the location of pipelines, valves, or meters, and all real estate records that in any way pertain to the Water System and Utility or the tracts on which it is located), and carry on the business of the Water System and Utility;

- b. Provide continuous and adequate water utility service to the customers of said Water System and Utility, including, but not limited to, arranging for a wholesale water contract or interconnection with another water system;
- c. If necessary, retain a certified operator(s) for the Water System and Utility and pay the operator(s) and pay all other reasonably necessary operating expenses out of income from the Water System and Utility at a reasonable rate as wages or bills come due; and bill and collect monies for water services;
- d. Retain accountants, attorneys, engineers, consultants, or others, as necessary, and pay them out of income from the Water System and Utility as their bills come due; and have performed any necessary evaluation, maintenance, improvement, or repair on the said Water System and Utility;
 - 1. The receiver may not contract for, or incur attorney's fees in excess of \$15,000.00 in the aggregate for the duration of this receivership, unless otherwise approved by the Court;
 - 2. The Receiver may not contract for, or incur engineering fees in excess of \$35,000.00 in the aggregate for the duration of this receivership, unless otherwise approved by the Court;
 - 3. The Receiver may not contract for, or incur consulting fees or contractor fees in excess of \$25,000.00 in the aggregate for the duration of this receivership, unless otherwise approved by the Court.
- e. Accept and receive funds for the continuation of water utility service, open and close bank accounts, and take measures necessary to designate or change signatories on any such accounts;
- f. Receive all payments due and owing for water service provided to the customers of the said Water System and Utility;
- g. File and pursue applications for all necessary permits, licenses, rate orders, tariffs, and certificates as required by law, including, but not limited to, CCNs, transfers of the CCNs, and decertification of the CCNs under Chapter 13 of the Texas Water Code;
- h. Incur risks, debts, liabilities, and obligations ordinarily incurred by owners, managers, and operators of similar business enterprises;

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- i. In cooperation with representatives of TCEQ and PUC, prepare a schedule of repairs and improvements to bring the Water System and Utility into compliance with applicable statutes and regulations in the shortest possible time with the funds available;
- j. Provide quality control, operating procedure review, and financial and accounting services in compliance with good business practices and generally accepted accounting principles, and engineering services in conformance with good engineering practices;
- k. Upon request to provide information requested by TCEQ or PUC, and perform such other tasks as the Court, TCEQ, or PUC may require for proper operation of the receivership;
- l. Take all measures necessary to consummate the conveyance of all assets of the said Water System and Utility to a qualified person, subject to written approval by TCEQ and PUC; and
- m. Perform such other duties as may be prescribed by the Court.

23. Nothing contained herein shall be construed to authorize the Receiver to sell or transfer the Water System and Utility without further orders and authorization from the Court.

24. Notwithstanding the provisions of Paragraph 23 above, the Receiver shall take affirmative steps to investigate prospects for the sale of the Water System and Utility and report those prospects to the Court and the parties of record.

25. Anyone purporting to act as the Owner/Operator, including Fenoglio and Perrin Water Systems, Inc., all their agents, servants, employees, and all persons acting in concert with them, are ENJOINED to cooperate with the Receiver in said conveyance and shall promptly provide the Receiver with all documents and signatures necessary to complete the conveyance.

26. Subject to such orders as this Court may hereafter issue, the Receiver shall hold any money coming into the possession of the Receiver and not expended for any of the purposes authorized in this Order.

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27. Within 45 days after taking his oath, the Receiver shall file in this cause an inventory of all property of the receivership estate of which he shall have possession. If the Receiver comes into possession of additional property, he shall file a supplemental inventory as soon as practicable, but in no event more than 45 days after receipt thereof.

28. Within 30 days after taking his oath, the Receiver shall notify in writing all known customers and creditors of the Water System and Utility that he has been appointed Receiver. This notice shall include a telephone number and address where the Receiver can be contacted.

29. On or before the 30th day of each month, the Receiver shall file with the Clerk of this Court a complete report for the prior month's activities. The first such report shall be due on _____. Each monthly report shall contain, at a minimum:

- a. A monthly operating statement, including a statement of quantities of water sold, complaints received, and customers added or disconnected;
- b. A statement of accounts receivable and payable, with actual amounts received and paid;
- c. A summary of all repairs and improvements made, with expenses shown; and
- d. A statement of all expenses incurred and paid.

When the Receiver files each monthly report, he shall simultaneously mail one copy of the report to each of the following: Plaintiff's attorney of record, Tyler J. Ryska, at the address provided below his signature, and TCEQ Receivership Coordinator, Alex Latham, at the Texas Commission on Environmental Quality, P.O. Box 13087, MC-153, Austin, Texas 78711-3087.

30. The Receiver shall limit expenditures to those reasonably necessary to accomplish the Receiver's duties. The Receiver is not obligated to pay bills, debts, or claims associated with the Water System and Utility that accrued before the date this Order is signed by the Court.

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31. The Receiver's bond shall be set in the amount of \$10,000.00.

32. The Receiver shall file his bond and duly executed oath with the Clerk of this Court within 5 business days from the date this Order is signed.

33. The Receiver shall maintain a bond at the amount set by this Court for the entire duration of the Receiver's service.

34. The Receiver shall file a report with the Clerk of this Court regarding any change in sureties or other changes to the bond, any lapse or forfeiture of a bond, and shall serve a copy of his report on all parties of record. The Receiver shall file such a report and serve copies on the parties immediately after he receives actual or constructive notice of the event requiring the report, but in any event, no later than 3 business days after actual or constructive notice to the Receiver.

35. The Receiver's compensation shall be a monthly fee of \$12.00 per active Water System and Utility's connection per month of the Receiver's service, subject to the following conditions:

- a. On a monthly basis, the Receiver may compensate himself for his services, but monthly payment shall not exceed 60% of the monthly fee set in Paragraph 34.
- b. The remaining 40% of the Receiver's compensation may only be paid after a final accounting and a Court order approving the payment of the funds.

36. The Owner/Operator, the Receiver, or anyone on their behalf shall not make, and this Court will not approve, any claim against the State of Texas or any of its agencies, agents, servants, or employees, for any fees, costs, expenses, damages, or any other monetary claims incurred in relation to this receivership or lawsuit.

37. Plaintiffs are allowed such writs and processes as may be needed for the enforcement of this Order.

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38. This receivership shall continue until further order of the Court. The Court retains jurisdiction of this case and may make other orders as warranted.

SIGNED this _____ day of _____, 2019.

JUDGE PRESIDING

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APPROVED IN FORM AND SUBSTANCE AND ENTRY REQUESTED:



William Knowlton

Attorney

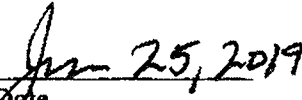
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Date

Counsel for David A. Fenoglio d/b/a Sunset Water System/Oak Shores Water System

APPROVED IN FORM AND SUBSTANCE AND ENTRY REQUESTED:



Mark Patterson
Patterson Professional Services
P.O. Box 910
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(903) 744-2599
pattproserv@aol.com

6/25/19
Date

Proposed Receiver

APPROVED IN FORM AND SUBSTANCE AND ENTRY REQUESTED:

KEN PAXTON
Attorney General of Texas

JEFFREY C. MATEER
First Assistant Attorney General

DARREN L. MCCARTY
Deputy Attorney General for Civil Litigation

PRISCILLA M. HUBENAK
Chief, Environmental Protection Division

Tyler J. Ryska
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Date

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ATTORNEYS FOR THE STATE OF TEXAS AND THE PUC