



## Filing Receipt

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**DOCKET NO. 54464**

<b>APPLICATION OF ORANGE COUNTY</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>WATER CONTROL &amp; IMPROVEMENT</b>	<b>§</b>	
<b>DISTRICT NO 1 TO AMEND ITS</b>	<b>§</b>	<b>OF TEXAS</b>
<b>CERTIFICATES OF CONVENIENCE</b>	<b>§</b>	
<b>AND NECESSITY IN ORANGE COUNTY</b>	<b>§</b>	

**ORANGE COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1'S  
SUPPLEMENTAL FILING TO ITS PETITION TO AMEND ITS CERTIFICATES OF  
CONVENIENCE AND NECESSITY IN ORANGE COUNTY**

**COMES NOW**, Orange County Water Control and Improvement District No. 1 (Applicant) files this Supplemental Filing to its Petition to Amend its Certificates of Convenience and necessity and would show the following:

**I. BACKGROUND**

Applicant filed an application to amend its certificates of convenience and necessity in Orange County. On January 13, 2023, the Administrative Law Judge (ALJ) issued Order No. 2 finding the application was administratively incomplete and establishing deadlines and opportunity to cure by Monday, February 13, 2023. Thereafter, on February 10, 2023 the ALJ issued Order No. 3 granting Applicant's request for an extension to cure the deficiencies.

**II. SUPPLEMENTAL BRIEFING**

Initially, Applicant filed a petition to amend its Certificates of Convenience and Necessity (CCN) in order to eliminate pockets inside its CCN that were still classified as being operated by Lexington Water Systems, Inc. However, after the petition was filed, Commission Staff recommended Applicant file a Sale, Transfer, Merger Application (STM) to cure the deficiencies. Therefore, attached to this Supplemental Brief is the STM Application for Lexington Water Systems, Inc.

Lexington Water Systems, Inc. and Applicant entered into a transaction in 1995 whereby the Lexington Water Systems, Inc. was to convey, sale, and transfer its water system to the Applicant. *See*

Exhibit A. Further, the sale, transfer, merger of Lexington Water Systems, Inc. was voted on by the Applicant at the December 1988 meeting.<sup>1</sup> See Exhibit B.

Since 1995, the Applicant has been providing water and wastewater services to all customers that were served by Lexington Water Systems, Inc. It appears the proper documentation either was never submitted to the Public Utilities Commission or the process of the transfer was never concluded. However, the Applicant wishes to correct this by submitting all proper documentation and application to the PUCT to get this rectified. Applicant attempted to fill out the STM Application to the best of their ability, however, due to the fact the sale occurred over twenty-eight (28) years ago the majority of information requested in the STM Application remains blank due to the original attorney, general manager, and seller being deceased or could not be located.

### III. CONCLUSION

Applicant respectfully requests the ALJ find its Petition administratively complete now that the correct application has been submitted with supporting documentation.

Dated: February 28, 2023

Respectfully submitted,

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**COUNSEL FOR THE APPLICANT**

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<sup>1</sup> However, the complete sale did not happen until 1995.

# APPLICATION





# 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

## 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:** Lexington Water Systems, Inc.

*(selling entity)*

**CCN No.s:** 11560

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

**Transferee:** Orange County Water Control & Improvement District No. 1

*(acquiring entity)*

**CCN No.s:** 601441850

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

**County(ies):** Orange

## Table of Contents

<b>Sale, Transfer, or Merger (STM) Application Instructions .....</b>	<b>1</b>
<b>Part A: General Information .....</b>	<b>3</b>
<b>Part B: Transferor Information .....</b>	<b>3</b>
<b>Part C: Transferee Information .....</b>	<b>4</b>
<b>Part D: Proposed Transaction Details .....</b>	<b>6</b>
<b>Part E: CCN Obtain or Amend Criteria Considerations .....</b>	<b>8</b>
<b>Part F: TCEQ Public Water System or Sewer (Wastewater) Information .....</b>	<b>9</b>
<b>Part G: Mapping &amp; Affidavits .....</b>	<b>10</b>
<b>Part H: Notice Information .....</b>	<b>12</b>
<b>Appendix A: Historical Financial Information (Balance Sheet and Income Schedule) .....</b>	<b>15</b>
<b>Appendix B: Projected Information .....</b>	<b>18</b>

### Please mark the items included in this filing

<input type="checkbox"/> Contract, Lease, Purchase, or Sale Agreement	Part A: Question 1
<input type="checkbox"/> Tariff including Rate Schedule	Part B: Question 4
<input type="checkbox"/> List of Customer Deposits	Part B: Question 5
<input type="checkbox"/> Partnership Agreement	Part C: Question 7
<input 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 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 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 type="checkbox"/> Enforcement Action Correspondence	Part E: Question 18 (Part D: Q12)
<input type="checkbox"/> TCEQ Compliance Correspondence	Part F: Question 22
<input type="checkbox"/> TCEQ Engineering Approvals	Part F: Question 24
<input checked="" type="checkbox"/> Purchased Water Supply or Treatment Agreement	Part F: Question 26
<input type="checkbox"/> Detailed (large scale) Map	Part G: Question 29
<input type="checkbox"/> General Location (small scale) Map	Part G: Question 29
<input type="checkbox"/> Digital Mapping Data	Part G: Question 29
<input 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:

In October 1995, Orange County Water Control & Improvement District No. 1 purchased from the Lexington Water Systems, Inc. all water wells, pumps, tanks, valves, meters, service lines, distribution lines, connections, equipment and private water utility system appurtenances along with all customer billing accounts of said water system. Orange County WCID No. 1 has been servicing this area since the 1995 purchase.

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

For **Transferee** (Purchaser) CCN:

For **Transferor** (Seller) 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

- ☒ 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: Lexington Water Systems, Inc.  
(individual, corporation, or other legal entity)  
☐ Individual ☒ Corporation ☐ WSC ☐ Other: \_\_\_\_\_

B. Mailing Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

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

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

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: \_\_\_\_\_

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

☐ No ☐ Yes Application or Docket Number: \_\_\_\_\_

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

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

☐ There are no customers that will be transferred

☐ # of customers without deposits held by the transferor \_\_\_\_\_

☐ # of customers with deposits held by the transferor\* \_\_\_\_\_

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

### Part C: Transferee Information

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

6. A. Name: Orange County Water Control & Improvement District No. 1

(individual, corporation, or other legal entity)

☐ Individual ☐ Corporation ☐ WSC ☒ Other: Governmental Entity

B. Mailing Address: 460 E Bolivar, Vidor, Texas 77662

Phone: (409) 769-2669

Email: cserres@ocwc1.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: Chris Serres

Title: General Manager

Address: 460 E Bolivar, Vidor, Texas 77662

Phone: (409) 769-2669

Email: cserres@ocwc1.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): \_\_\_\_\_

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: Frank Inzer

Position: Board President

Ownership % (if applicable): 0.00%

Address: 315 So Main, Vidor, Texas 77662

Phone: (409) 781-3132

Email: 54dogwood@gmail.com

Name: Tim Beard

Position: Board Vice President

Ownership % (if applicable): 0.00%

Address: 4575 Brookhollow, Vidor, Texas 77662

Phone: (409) 960-8572

Email: tbeard@coastaltxs.com

Name: Trey Haney

Position: Board Secretary

Ownership % (if applicable): 0.00%

Address: 1250 Lamar, Vidor, Texas 77662

Phone: (409) 767-3390

Email: haneyt@gmail.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: \$ \_\_\_\_\_

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

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

☐ No ☐ Yes ☐ N/A

Total Original Cost of Plant in Service: \$ \_\_\_\_\_

Accumulated Depreciation: \$ \_\_\_\_\_

Net Book Value: \$ \_\_\_\_\_

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

☐ No ☐ Yes

Total Customer CIAC: \$ \_\_\_\_\_

Accumulated Amortization: \$ \_\_\_\_\_

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

☐ No ☐ Yes

Total developer CIAC: \$ \_\_\_\_\_

Accumulated Amortization: \$ \_\_\_\_\_

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

☐ No ☐ Yes

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

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

Orange County Water Control & Improvement District No. 1 is the owner of the CCN in question and has serviced this area since 1995. The District purchased the water system in 1995 but the CCN was never put in the District's name.

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

Utility Plant in Service: \$ \_\_\_\_\_

Accumulated Depreciation of Plant: \$ \_\_\_\_\_

Cash: \$ \_\_\_\_\_

Notes Payable: \$ \_\_\_\_\_

Mortgage Payable: \$ \_\_\_\_\_

(Proposed) Acquisition Adjustment\*: \$ \_\_\_\_\_

\* Acquisition Adjustments will be subject to review under 16 TAC § 24.41(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.)

**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:

**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:

Orange County Water Control & Improvement District No. 1 has been servicing both of these areas since 1994. This is a request to amend and correct the CCN to reflect the correct owner of the CCN.

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.

The District has been providing water serviced the requested area since 1995. This is an amended application to have the proper owner of the CCN corrected.

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:

Environmental integrity of the land will not be impacted. These are existing service areas that was purchased in 1995 by Orange County Water Control & Improvement District No. 1. It appears the proper documents were filed but never put in Orange County Water Control & Improvement District No. 1's name and remains in the name of the provider from whom the system was purchased. (Lexington Water System.)

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

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:

City of Rose City, Mauriceville MUD, Water Necessities, Inc., Rural Water Company, Inc.



**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: 1810005 (7 digit ID)Name of PWS: Orange County Water Control & Improvement District No. 1Date of last TCEQ compliance inspection: October 13, 2021 (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
	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:				Total Sewer Connections:	

**24. A. Are any improvements required to meet TCEQ or Commission standards?**☒ No ☐ Yes**B. Provide details on each required major capital improvement necessary to correct deficiencies to meet the TCEQ or Commission standards (attach any engineering reports or TCEQ approval letters):**

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

**C. Is there a moratorium on new connections?**☒ No ☐ Yes:**25. Does the system being transferred operate within the corporate boundaries of a municipality?**☐ No ☒ Yes: City of Vidor, Texas (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
DAVID B LEJUNE, JR	B	WG0005509	WATER
DAVID M CARPENTER	B	WG0002043	WATER
ALLAN W LINSOMB	C	WG0014013	WATER
STEVE T PILLOW	C	WG0009610	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: 43.00

Number of customer connections in the requested area: 35

Affected subdivision :

The closest city or town: City of Vidor, Texas

Approximate mileage to closest city or town center: 2

Direction to closest city or town: West

The requested area is generally bounded on the North by: Interstate 10

on the East by: Concord Street

on the South by: Orange Street

on the West by: Heritage Drive

31. A copy of the proposed map will be available at: N/A

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 Orange

I, \_\_\_\_\_, being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as \_\_\_\_\_

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

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

I further state that I have 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 \_\_\_\_\_ of \_\_\_\_\_, 20\_\_\_\_\_

SEAL

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

\_\_\_\_\_  
**PRINT OR TYPE NAME OF NOTARY**

**My commission expires:** \_\_\_\_\_

## Oath for Transferee (Acquiring Entity)

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_ being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as \_\_\_\_\_  
(owner, member of partnership, title as officer of corporation, or authorized representative)

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

I further state that I have 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 \_\_\_\_\_ of \_\_\_\_\_, 20 \_\_\_\_\_

SEAL

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

\_\_\_\_\_  
**PRINT OR TYPE NAME OF NOTARY**

**My commission expires:** \_\_\_\_\_

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

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

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

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

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



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

## Appendix B: Projected Information

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

PROJECTED EXPENSE DETAIL						GENERAL/ADMINISTRATIVE EXPENSES																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS	Salaries	Office	Computer	Auto	Insurance	Telephone	Utilities	Depreciation	Property Taxes	Professional Fees	Interest	Other	Total	% Increase Per projected Year	OPERATIONAL EXPENSES																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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PROJECTED NET INCOME INFORMATION						
(ENTER DATE OF YEAR END)	CURRENT(A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Revenue per Meter (use for projections)						
Expense per Meter (use for projections)						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Revenues- Base Rate & Gallonage Fees						
Other (Tap, reconnect, transfer fees, etc)						
Gross Income						
EXPENSES						
General & Administrative (see schedule)						
Operating (see schedule)						
Interest						
Other (list)						
NET INCOME						

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

Jon Niermann, *Chairman*  
Emily Lindley, *Commissioner*  
Bobby Janecka, *Commissioner*  
Toby Baker, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

December 10, 2021

**CERTIFIED MAIL {7019 0700 0001 0073 7318}  
RETURN RECEIPT REQUESTED**

Mr. Frank Inzer, President  
Orange County WCID No. 1  
460 East Bolivar Street  
Vidor, Texas 77662

Re: Notice of Violation for a Public Water Supply Comprehensive Compliance Investigation at: Orange County WCID No. 1, Vidor (Orange County), Texas, PWS ID No.: 1810005, Investigation No.: 1775634, Regulated Entity No.: 101417541

Dear Mr. Inzer,

On October 13, 2021, Mrs. Paige Ruth-Pritchard of the Texas Commission on Environmental Quality (TCEQ) Beaumont Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public water supply. During the investigation, a concern was noted which was an alleged noncompliance that has been resolved as an Area of Concern based on subsequent corrective action. In addition, a certain outstanding alleged violation was identified for which compliance documentation is required. Please submit to this office by **April 9, 2022** a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for each of the outstanding alleged violations.

In the listing of the alleged violations, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at <http://www.tceq.texas.gov> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the Beaumont Region Office at (409) 898-3838 or the Central Office Publications Ordering Team at 512-239-0028.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violations documented in this notice. Should you choose to do so, you must notify the Beaumont Region Office within 10 days from the date of this letter. At that time, Mr. Chris Vidrine will schedule a violation review meeting to be conducted within 21 days from the date of this letter. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the enclosed Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

Mr. Frank Inzer, President

Page 2

December 10, 2021

If you or members of your staff have any questions, please feel free to contact Ms. Paige Ruth-Pritchard in the Beaumont Region Office at (409) 898-3838.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Vidrine", with a large, stylized loop at the end.

Chris Vidrine

Water Section Team Leader

Beaumont Region Office

Texas Commission on Environmental Quality

CV/PRP/jh

Enclosure: Summary of Investigation Findings

# Summary of Investigation Findings

ORANGE COUNTY WCID 1

460 E BOLIVAR ST

VIDOR, ORANGE COUNTY, TX 77662

Investigation #

1775634

Investigation Date: 10/13/2021

Additional ID(s): 1810005

## OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 797064

Compliance Due Date: To Be Determined

30 TAC Chapter 290.46(j)

### Alleged Violation:

Investigation: 1775634

Comment Date: 12/08/2021

Failure by Orange County WCID No. 1 to use the Customer Service Inspection (CSI) form and format found in commission Form- 20699.

During the investigation, it was noted that the water system was not utilizing the most up to date commission Form-20699 for CSIs. It was noted that the last time the water system utilized the form was March 2021.

**Recommended Corrective Action:** Submit a copy of a completed CSI form using the most up to date commission Form-20699 and submit a standard operating procedure for using the correct form to the Beaumont Regional Office.

Track No: 797066

Compliance Due Date: To Be Determined

30 TAC Chapter 290.46(m)

### Alleged Violation:

Investigation: 1775634

Comment Date: 12/09/2021

Failure by Orange County WCID No. 1 to maintain the fence at Well No. 4 and Well No. 5 free of excessive vegetation.

During the investigation, it was noted that the fence at Well No. 4 and Well No. 5 was covered with an excessive amount of vegetation.

**Recommended Corrective Action:** Remove the excessive vegetation from the fence and submit photographic documentation to the Beaumont Regional Office.

Track No: 797067

Compliance Due Date: To Be Determined

30 TAC Chapter 290.42(e)(4)(A)

### Alleged Violation:

Investigation: 1775634

Comment Date: 12/06/2021

Failure by Orange County WCID No. 1 to maintain a full Self Contained Breathing Apparatus (SCBA) where gas chlorine is used.

During the investigation, it was noted that the SCBA had 5 minutes of air available and does not meet OSHA regulations at Well No. 4.

**Recommended Corrective Action:** Refill the SCBA at Well No. 4 and submit photographic documentation to the Beaumont Regional Office.

Track No: 797068

Compliance Due Date: To Be Determined

30 TAC Chapter 290.46(m)

**Alleged Violation:**

Investigation: 1775634

Comment Date: 12/06/2021

Failure by Orange County WCID No. 1 to maintain the 0.411 MG Ground Storage Tank at Well No. 4 and the Hwy 105 South Elevated Storage Tank free of excessive mildew.

During the investigation, an excessive amount of mildew was noted on the 0.411 MG Ground Storage Tank at Well No. 4 and the Hwy 105 South Elevated Storage Tank.

**Recommended Corrective Action:** Clean the mildew off the 0.411 MG Ground Storage Tank at Well No. 4 and the Hwy 105 South Elevated Storage Tank and submit photographic documentation to the Beaumont Regional Office.

**Track No:** 797069**Compliance Due Date:** To Be Determined**30 TAC Chapter 290.43(c)(3)****Alleged Violation:**

Investigation: 1775634

Comment Date: 12/06/2021

Failure by Orange County WCID No. 1 to maintain smaller than a 1/16-inch gap on the gravity-hinged weighted cover on the overflow located on the 0.411 MG Ground Storage Tank at Well No. 4.

During the investigation, a gap which was determined to be larger than 1/16 inch was noted between the overflow and overflow cover on the 0.411 MG Ground Storage Tank at Well No. 4.

**Recommended Corrective Action:** Repair the gravity-hinged weighted cover on the overflow at 0.411 MG Ground Storage Tank at Well No. 4 so that the gap has a maximum width of 1/16 inch. Submit photographic documentation of the repaired overflow cover on the 0.411 MG ground storage tank at Well No. 4 to the Beaumont Regional Office.

**Track No:** 797070**Compliance Due Date:** To Be Determined**30 TAC Chapter 290.43(c)(1)****Alleged Violation:**

Investigation: 1775634

Comment Date: 12/09/2021

Failure by Orange County WCID No. 1 to provide Well No. 7 Ground Storage Tank roof vent with 16-inch mesh screening material to prevent entry of animals, birds, insects and heavy air contaminants into the ground storage tank.

During the investigation, it was noted that the Well No. 7 Ground Storage Tank roof vent was missing the mesh screening material to prevent the entry of animals, birds, insects and heavy air contaminants.

Please note this violation is considered a Significant deficiency and could be subject to 40 Code of Federal Regulations (CFR) Subpart S-Groundwater Rule regarding significant deficiencies if not corrected or part of a state approved corrective action plan by the violation deadline.

**Recommended Corrective Action:** Install a roof vent screening with 16-inch mesh screening material at the Well No. 7 Ground Storage Tank and submit photographic documentation to the Beaumont Regional Office.

**Track No:** 797071**Compliance Due Date:** To Be Determined**30 TAC Chapter 290.45(b)(1)(D)(i)****Alleged Violation:**

Investigation: 1775634

Comment Date: 12/09/2021

Failure by Orange County WCID No. 1 to provide a well capacity of 0.6 gallons per minute



(gpm) per connection.

During the investigation, it was noted that the water system provides 3220 gpm total well production capacity while 3849 gpm is required. The water system is currently operating at 16% deficient.

**Recommended Corrective Action:** Provide a well capacity of 0.6 gpm per connection. Provide documentation to the Beaumont Regional Office once this capacity requirement is fulfilled.

Please note that if any modifications are made to the plant in an effort obtain compliance with this regulation, notification shall be made to TCEQ Water Supply division, Technical Review and Oversight Team, MC 155 PO Box 13087, Austin, Texas 78711-3087; phone (512) 239-4691. Additionally, an exception may be requested regarding this regulation to the address listed above.

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**Track No:** 797454      **Compliance Due Date:** To Be Determined  
**30 TAC Chapter 290.46(m)**

**Alleged Violation:**

Investigation: 1775634

Comment Date: 12/09/2021

Failure by Orange County WCID No. 1 to maintain Well No. 7 in a good working condition and appearance.

During the investigation, it was noted that the water system has not been using Well No. 7 since May 2021 due to well pump issues.

**Recommended Corrective Action:** Repair the well pump. Submit documentation to the Beaumont Regional Office upon completion of the repair.

## AREA OF CONCERN

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**Track No:** 797065  
**30 TAC Chapter 290.41(c)(3)(K)**

**Alleged Violation:**

Investigation: 1775634

Comment Date: 12/09/2021

Failure by Orange County WCID No. 1 to maintain the 16-mesh vent screen for Well No. 4.

During the investigation, it was noted that the water system did not have 16-mesh screening material on the vent at Well No. 4.

Please note this violation is considered a Significant deficiency and could be subject to 40 Code of Federal Regulations (CFR) Subpart S-Groundwater Rule regarding significant deficiencies if not corrected or part of a state approved corrective action plan by the violation deadline.

**Recommended Corrective Action:** Cover the well vent with an adequate 16-mesh screening material. Submit photographic documentation to the Beaumont Regional Office.

**Resolution:** During the investigation, an operator with the water system replaced the vent screen.

# EXHIBIT A

THE STATE OF TEXAS §

COUNTY OF ORANGE §

OPERATING AGREEMENT  
WITH OPTION TO PURCHASE

This agreement is made this 17th day of October, 1995, at Vidor, Orange County, Texas, by and between FRANK HODGES, JR. and LEXINGTON WATER SYSTEMS, INC., a Texas corporation, collectively hereinafter referred to as "Owner", and ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1, hereinafter referred to as "Operator".

Recitals

Owner is currently engaged in the private water utility business known as LEXINGTON WATER SYSTEMS, INC. at Vidor, Orange County, Texas, which serves the Oldbury Street, Lexington Street, and Concord Street areas in and near Vidor, Orange County, Texas, sometimes hereinafter collectively referred to as the "private water utility system", more particularly described as follows, to-wit:

1. All that certain private water utility system presently owned by Owner and serving the Oldbury Street, Lexington Street and Concord Street areas near and within Vidor, Orange County, Texas, including but not limited to all equipment, easements, the real property hereinafter described, all wells, pumps, tanks, valves, service lines, trunk and distribution lines and connections, and any other equipment pertaining to the said private water utility system, the wells being located on those certain tracts, pieces or parcels of land situated in Orange County, Texas, described as follows, to-wit:

WELL TRACT NO. 1:

BEGINNING at the Northeast corner of Lot 1 of said Subdivision, said point being in the East line of that certain tract described in Volume 504, Page 654 of the Deed Records of Orange County, Texas;

THENCE North 89 deg. 42 min. West along the North line of Lots 1 and 2 a distance of 202.81 feet to a point for corner at the Northwest corner of Lot 2;

THENCE North a distance of 20 feet to an iron rod for corner;

THENCE South 89 deg. 42 min. East parallel to and 20 feet North of the North line of Lots 1 and 2 a distance of 202.81 feet to an iron rod for corner in the East line of the above referenced tract described in Volume 504, Page 654;

THENCE South along the East line of said tract a distance of 20 feet to the PLACE OF BEGINNING.

WELL TRACT NO. 2:

BEING a 40.0 foot by 60.0 foot tract out of I. & G. N. Railroad Company Survey, Section No. 21, Abstract 231, Vidor, Orange County, Texas, described by metes and bounds as follows:

FOR LOCATIVE PURPOSES begin at an iron pin which marks the Northwest corner of Lot 21, Block 2, Colonial Lane Estates, plat of which is recorded in the County Clerk's Office, Orange County, Texas;

THENCE South 89 deg. 50 min. West along the South line of a 60.0 foot wide egress-ingress and utility easement which is a westward extension of Tanglewood Drive, a distance of 574.64 feet to the Northeast and BEGINNING CORNER of the tract herein described;

THENCE South 89 deg. 50 min. West continuing along the South line of the said 60.0 foot wide easement a distance of 60.0 feet to a point for corner at the Northwest corner of the water well site and the Southwest corner of the said 60.0 foot wide easement;

THENCE South 00 deg. 10 min. East a distance of 40.0 feet to a point for corner;

THENCE North 89 deg. 50 min. East a distance of 60.0 feet to a point for corner;

THENCE North 00 deg. 10 min. West a distance of 40.0 feet to the PLACE OF BEGINNING.

Operator desires to operate and eventually purchase from Owner, and Owner desires to allow Operator to operate and eventually sell to Operator as a going concern said private water utility system.

Operating Agreement

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: Commencing on the 1st day of November, 1995, for a period of sixty-one (61) months, Owner grants Operator an exclusive easement to enter upon and maintain the above described private water utility system, and Operator shall operate the above described private water utility system, which currently has approximately fourteen (14) established customer connections on Oldbury Street, and approximately fifty-four (54) established customers on Lexington Street and Concord Street. Operator shall at Operator's expense maintain said private water utility system in good repair and condition, ordinary wear and tear excepted; and, Operator shall make all reports required by law and/or governmental regulation concerning said water system, including but not limited to the monthly water bacteriology monthly samples and reports to the Texas Department of Health Bureau of Laboratories.

### Consideration

And, as consideration for this operating agreement and the operations of said private water utility system by Operator, Operator agrees to pay to Owner the sum of Sixty-Three Thousand Seven Hundred Forty-One and No/100 (\$63,741.00) Dollars payable in fifty-nine (59) monthly installments of One Thousand Sixty-Two and 35/100 (\$1,062.35) Dollars, bearing no interest, said installments being due and payable on or before the 1st day of each and every calendar month, beginning the 1st day of December, 1995, and continuing regularly thereafter until the whole of said sum has been fully paid.

### Utility Charges

Operator shall pay all utility charges used in and for the operation of said private water utility system during the term of this agreement, such charges to be paid by Operator to the utility company or municipality furnishing same, as same become due and payable. All utility charges incurred prior to the execution of this agreement shall be pro-rated between Owner and Operator.

### Utility Rates

Operator shall bill all customers at the existing flat rate of \$16.00 per month, and a \$25.00 disconnect/reconnect fee, during the term of this agreement, unless said rate is modified by Owner or Operator and approved by The Water Utilities Division of the Texas National Resources Conservation Commission.

### Customer List

Owner shall furnish Operator a list of all customers of the private water utility system the subject of this agreement, including the name and mailing address of each customer, and the date and amount of the last payment, indicating the period billed for through the date of this agreement on or before the 5th day of November, 1995.

### Customer Deposits

Owner hereby represents and warrants to Operator that Owner does not have in Owner's possession any security deposits from the customers of said private water utility system the subject of this contract; that all customer security deposits previously held by Owner have been refunded; and, therefore, there are no customer deposits to transfer or refund.

### Option to Purchase

Operator shall have an exclusive first option to purchase the private water utility system the subject of this agreement at any point in time during the term of this agreement. Operator

shall exercise said option by payment of an additional sum of \$1,062.50 Dollars to Owner on or before the 30th day of November, 2000. The purchase of said private water utility system shall include the real property above described, all easements, trunk and distribution lines and taps, wells, pumps, tanks, valves, service lines, meters, all other equipment pertaining to said private water utility system, the contractual rights of Owner in the service connections of said private water utility system, and all customer billing accounts in existence at the time of Operator's election to exercise said option. It is specially agreed and understood should Operator exercise said option and connect any said private water utility system with the public water utility system presently owned and operated by Operator, Operator shall bear all cost of closing the respective existing well or wells.

#### Reports to Governmental Agencies

Owner agrees to timely publish all notices, prepare and file with the appropriate governmental agencies all reports required by law and/or governmental regulation, and obtain the approval of all governmental agencies regarding the transfer of the operation of the private water utility system the subject of this contract from Owner to Operator and/or any sale of said private water utility system by Owner to Operator, including but not limited to completing and filing an Application for Sale, Transfer or Merger of a Retail Public Utility with the Water Division of the Texas Natural Resources Conservation Commission, required before this agreement and/or the transfer of assets from Owner to Operator can be effective. Operator agrees to cooperate with Owner in making such applications, and to transfer to Operator the Certificate of Convenience and Necessity held by Owner for the private water utility system the subject of this agreement.

#### Covenant Not To Compete

As a part of the monetary consideration above stated, Owner agrees that Owner will not at any time during the term of this agreement and for a period of ten (10) years from the date of Operator's election to exercise the option to purchase the private water utility system the subject of this agreement, directly or indirectly engage in, operate, manage, or have any substantial interest in or in common with any person, firm, or corporation that engages in, a private water utility system for the area presently served by the private water utility system the subject of this agreement.

#### Accounts Receivable and Payable

Owner shall retain all accounts receivable which accrue and/or have been paid prior to the 1st day of November, 1995, and Owner shall pay all indebtedness and accounts payable of said private water utility system the subject of this agreement which accrue prior to the 1st day of November, 1995.

Operator shall retain all accounts receivable which accrue on or after the 1st day of November, 1995, during the term of this agreement, and Operator shall pay all indebtedness and accounts payable of said private water utility system the subject of this agreement which accrue on or after the 1st day of November, 1995, during the term of this agreement.

#### Indemnity

Owner shall indemnify, hold harmless and defend Operator from any and all claims, losses, damages, injuries and liabilities arising from or in connection with the operation of said private water utility system prior to the 31st day of October, 1995.

Operator shall indemnify, hold harmless and defend Owner from any and all claims, losses, damages, injuries and liabilities arising from or in connection with the operation of said private water utility system during the term of this agreement.

#### Warranty of Title

Owner warrants that Owner has good and marketable title to the private water utility system the subject of this agreement, that Owner has the right to enter into this Operating Agreement with Option to Purchase, and that said private water utility system and all appurtenances are free and clear of encumbrances; and, further, upon Operator's election to exercise the option to purchase contained herein, Owner agrees to execute and deliver to Operator a General Warranty Deed to the real property above described conveying good and marketable title to Operator, together with an assignment of all easements held by Owner concerning the private water utility system the subject of this agreement, and a Bill of Sale conveying to Operator good and marketable title and binding Owner and Owner's heirs, successors and assigns to FOREVER WARRANT AND DEFEND the title to said private water utility system unto Operator, its successors and assigns, as of the date of the closing of the option to purchase, against every person whomsoever lawfully claiming or to claim the same or any part thereof.

#### Notice to Customers

Owner and Operator agree to issue a joint statement drafted by counsel for Operator giving notice of the change in operations to the customers of said private water utility system on or before the 25th day of October, 1995.

#### Risk of Loss

Operator shall bear all risk of loss, damage, or destruction to said private water utility system the subject of this agreement during the term of this agreement, including the period

of time thereafter should Operator elect to exercise the purchase option herein granted.

#### Proration of Taxes

All ad valorem taxes for the year 1995 shall be prorated between Owner and Operator. Owner shall be responsible for payment of all ad valorem taxes for the year 1994 and any prior years. Operator shall be responsible for the payment of all ad valorem taxes accruing during the term of this agreement.

#### Inurement

This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

#### Governing Law and Venue

This agreement shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Orange County, Texas, and venue of any suit arising from or relating to this agreement shall be fixed and lie in Orange County, Texas.

#### Legal Construction

In case any one or more of the provisions contained in this agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof, and this agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

#### Waiver of Default

No waiver by the parties hereto of any default or breach of any term, condition or covenant of this agreement shall be deemed to be a waiver of any other breach of the same or any other term, condition or covenant contained herein.

#### Prior Agreement Superseded

This agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.

#### Amendments

No amendment, modification or alteration of the terms hereof shall be binding unless the same are in writing, dated subsequent to the date hereof and duly executed by the parties hereto.



### Attorney Fees and Enforcement

In the event Owner or Operator breaches any of the terms of this agreement whereby the party not in default employs an attorney to protect or enforce his/its rights hereunder and prevails, then the defaulting party agrees to pay the other party's reasonable attorneys' fees so incurred by such other party. It is further agreed that either party may specifically enforce this agreement against a defaulting party.

### Use of Revenues

Operator hereby agrees to use the revenues derived from the operation of the private water utility system the subject of this Operating Agreement to pay the monthly installments as same become due and owing for the monetary consideration for this Operating Agreement as above provided, and in the event the revenues derived from the operating of said private water utility system are not sufficient to pay the monthly installment payments due hereunder, this Operating Agreement shall be subject to the annual appropriation by the Operator of sufficient funds to pay such installment payments as same become due and payable.

### Default

Should Operator default in payment of the monthly installment payments due hereunder as same become due and payable, or should Operator default in operation of the private water utility system the subject of this agreement, and should such default continue after ten (10) days written notice from Owner, his heirs or assigns, this Operating Agreement will terminate and all rights and ownership in and to the private water utility system the subject of this agreement shall revert to the Owner, and Operator shall surrender said private water utility system to the Owner in the same condition said water system were originally delivered to Operator, ordinary wear and tear excepted.

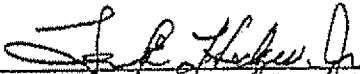
### Force Majeure

Neither Operator or Owner shall be required to perform any term, condition or covenant in this agreement so long as such performance is delayed or prevented by force majeure, which shall mean acts of God, restrictions by any governmental authority, civil riot, floods, and any other cause not reasonably within the control of Operator or Owner and which by the exercise of due diligence Operator or Owner is unable, wholly or in part, to prevent or overcome.

### Time of Essence

Time is of the essence in this agreement.


IN WITNESS WHEREOF, Owner and Operator execute this agreement effective as of the day and year first above written.

  
FRANK HODGES, JR., Owner

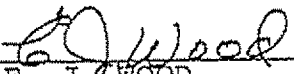
LEXINGTON WATER SYSTEMS, INC.,  
Owner

By   
FRANK HODGES, JR., President

ORANGE COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1-

By:   
PAUL LOWERY, JR., President

ATTEST:

  
E. J. WOOD,  
Acting Secretary

THE STATE OF TEXAS     §

ASSIGNMENT OF ACCOUNT RECEIVABLE

COUNTY OF ORANGE     §

WHEREAS, FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC. entered into an Operating Agreement with Option to Purchase dated October 17, 1995, with ORANGE COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1 concerning a private water utility system serving the Oldbury Street, Lexington Street and Concord Street areas in and near Vidor, Orange County, Texas, a true and correct copy of which is attached hereto as Exhibit "A" and incorporated herein for all purposes; and,

WHEREAS, FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC. desire to assign the option payment of \$1,062.50 and the fifty-nine (59) monthly installments of \$1,062.50 each, due and owing by Orange County Water Control & Improvement District No. 1, to TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN, of Bexar County, Texas, for a discounted lump sum cash consideration; and,

WHEREAS, the said TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN desires to purchase said option payment and said fifty-nine (59) monthly installments of said Contract above mentioned in consideration for a discounted lump sum cash advance to FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: For and in consideration of the sum of Fifty Thousand and No/100 (\$50,000.00) Dollars cash in hand paid, the receipt and sufficiency of which is hereby acknowledged, we, FRANK HODGES, JR., of Travis County, Texas, and LEXINGTON WATER SYSTEMS, INC., a Texas corporation, hereby assign to TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN, of Bexar County, Texas, all of our right, title and interest in and to the option payment of \$1,062.50 and the fifty-nine (59) monthly installments of \$1,062.50 each due and owing under the Operating Agreement with Option to Purchase above mentioned, a true and correct copy of which is attached hereto as Exhibit "A".

It is specially agreed and understood that this is an assignment of money due or to become due only, and the said TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN, does not assume any

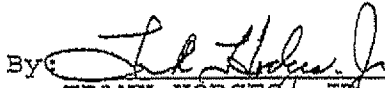
obligations of FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC., under said Operating Agreement with Option to Purchase; and, FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC. shall remain solely responsible to fulfill all obligations and responsibilities under said Operating Agreement with Option to Purchase as owner of the private water utility system the subject of said Contract.

For the consideration above stated, FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC., hereby authorize and direct ORANGE COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1, its successors and assigns, to pay the monthly installments of \$1,062.50 and the option payment of \$1,062.50 directly to TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN, c/o Frost National Bank Account No. 080-446, P. O. Box 1600, San Antonio, Texas 78096, or wherever designated in writing by HARRY GRANBERRY, Trustee.

EXECUTED this 17<sup>th</sup> day of October, 1995.

  
FRANK HODGES, JR.

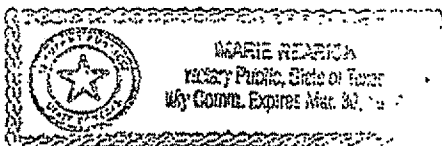
LEXINGTON WATER SYSTEMS, INC.

By:   
FRANK HODGES, JR., President

THE STATE OF TEXAS     §

COUNTY OF ORANGE     §

The foregoing instrument was acknowledged before me by the said FRANK HODGES, JR. on this the 17<sup>th</sup> day of October, 1995.



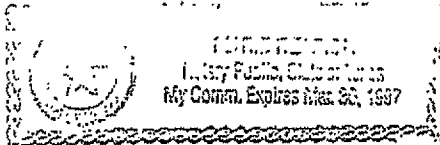
  
Notary Public, State of Texas

THE STATE OF TEXAS     §

COUNTY OF ORANGE     §

The foregoing instrument was acknowledged before me by the said FRANK HODGES, JR., in his capacity as President of LEXINGTON WATER SYSTEMS, INC. on this the 17th day of October, 1995.

Marti Pearce  
Notary Public, State of Texas



THE STATE OF TEXAS §

GENERAL WARRANTY DEED

COUNTY OF ORANGE §

KNOW ALL MEN BY THESE PRESENTS: That FRANK HODGES, JR., of Travis County, Texas, not joined by my wife in the execution hereof because the property herein conveyed constitutes no part of our homestead, and LEXINGTON WATER SYSTEMS, INC., a Texas corporation, in consideration of the sum of Ten and No/100 (\$10.00) Dollars, and other good and valuable cash consideration, to said Grantors in hand paid by the Grantee hereinafter named, the receipt and sufficiency of which is hereby acknowledged, and in accordance with that certain Operating Agreement with Option to Purchase dated October 17, 1995 by and between Grantors and Grantee herein, has GRANTED, SOLD AND CONVEYED and by these presents does GRANT, SELL AND CONVEY unto ORANGE COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1, a governmental entity of Orange County, Texas, whose mailing address is P. O. Box 1267, Vidor, Texas 77670-1267, all that certain property situated in Orange County, Texas, described as follows, to-wit:

WELL TRACT NO. 1:

BEGINNING at the Northeast corner of Lot 1 of said Subdivision, said point being in the East line of that certain tract described in Volume 504, Page 654, of the Deed Records of Orange County, Texas;

THENCE North 89 deg. 42 min. West along the North line of Lots 1 and 2 a distance of 202.81 feet to a point for corner at the Northwest corner of Lot 2;

THENCE North a distance of 20 feet to an iron rod for corner;

THENCE South 89 deg. 42 min. East parallel to and 20 feet North of the North line of Lots 1 and 2 a distance of 202.81 feet to an iron rod for corner in the East line of the above referenced tract described in Volume 504, Page 654;

THENCE South along the East line of said tract a distance of 20 feet to the PLACE OF BEGINNING.

WELL TRACT NO. 2:

BEING a 40.0 foot by 60.0 foot tract out of I. & G.N. Railroad Company Survey, Section No. 21, Abstract 231, Vidor, Orange County, Texas, described by metes and bounds as follows:

FOR LOCATIVE PURPOSES begin at an iron pin which marks the Northwest corner of Lot 21, Block 2, Colonial Lane Estates, plat of which is recorded in the County Clerk's Office, Orange County, Texas;

THENCE South 89 deg. 50 min. West along the South line of a 60.0 foot wide egress-ingress and utility easement which is a westward extension of Tanglewood Drive, a distance of 574.64 feet to the Northeast and BEGINNING CORNER of the tract herein described;

THENCE South 89 deg. 50 min. West continuing along the South line of the said 60.0 foot wide easement a distance of 60.0 feet to a point for corner at the Northwest corner of the water well site and the Southwest corner of the said 60.0 foot wide easement;

THENCE South 00 deg. 10 min. East a distance of 40.0 feet to a point for corner;

THENCE North 89 deg. 50 min. East a distance of 60.0 feet to a point for corner;


THENCE North 00 deg. 10 min. West a distance of 40.0 feet to the PLACE OF BEGINNING.

This conveyance is made and accepted subject to all valid mineral reservations, restrictions, rights of way, and easements of record in the office of the County Clerk of Orange County, Texas, affecting or relating to said property; all zoning, land use, occupancy or environmental ordinances, regulations, statutes, rules or administrative procedure of any federal, state or local agency, commission, bureau, department, office or other unit of government affecting or relating to said property; and, any and all unrecorded easements, rights of way, pipelines, utilities, fences, roads, pathways, and other conditions of said property visible to a reasonable person making a reasonably prudent inspection of such property.


Together with all water wells, pumps, tanks, valves, meters, service lines, trunk and distribution lines and connections, equipment, and private water utility system appurtenances thereto, located in or pertaining to the private water utility system commonly referred to as the "Lexington Water System", including the contractual rights of Grantor in the service connections of said private water utility system, and all customer billing accounts of said private water utility system.

TO HAVE AND TO HOLD the said premises and improvements above described, together with all rights, hereditaments and appurtenances thereto belonging, unto the said Grantee above named, its successors and assigns forever. And said Grantors do hereby bind themselves, their successors and assigns, to WARRANT AND FOREVER DEFEND the title to said property unto the said Grantee above named, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof.

EXECUTED this the 22 day of July, 1999.

  
FRANK HODGES, JR.

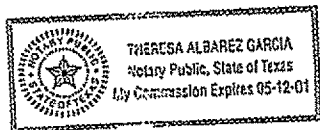
LEXINGTON WATER SYSTEMS, INC.

By:   
FRANK HODGES, JR., President

THE STATE OF TEXAS §

COUNTY OF TRAVIS §

This instrument was acknowledged before me by the said FRANK HODGES, JR. on this the 22<sup>nd</sup> day of July, 1999.

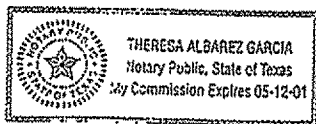


*Theresa Alvarez Garcia*  
Notary Public, State of Texas

THE STATE OF TEXAS §

COUNTY OF TRAVIS §

This instrument was acknowledged before me by FRANK HODGES, JR., President of LEXINGTON WATER SYSTEMS, INC., on behalf of said Texas corporation, on this the 22<sup>nd</sup> day of July, 1999.



*Theresa Alvarez Garcia*  
Notary Public, State of Texas

FB: Larry Hunter  
Return to:

Orange County Water Control  
& Improvement District No. 1  
460 East Bolivar  
Vidor, Texas 77662

7<sup>00</sup> + 3<sup>00</sup> EP + 1<sup>00</sup> SF

FILED FOR RECORD

99 JUL 29 P3:22

KAREN D'YANCE  
COUNTY CLERK  
ORANGE COUNTY, TEXAS  
*[Signature]*

EXHIBIT "C"  
Page 3 of 3



THE STATE OF TEXAS     §

ASSIGNMENT OF ACCOUNT RECEIVABLE

COUNTY OF ORANGE     §

WHEREAS, FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC. entered into an Operating Agreement with Option to Purchase dated October 17, 1995, with ORANGE COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1 concerning a private water utility system serving the Oldbury Street, Lexington Street and Concord Street areas in and near Vidor, Orange County, Texas, a true and correct copy of which is attached hereto as Exhibit "A" and incorporated herein for all purposes; and,

WHEREAS, FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC. desire to assign the option payment of \$1,062.50 and the fifty-nine (59) monthly installments of \$1,062.50 each, due and owing by Orange County Water Control & Improvement District No. 1, to TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN, of Bexar County, Texas, for a discounted lump sum cash consideration; and,

WHEREAS, the said TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN desires to purchase said option payment and said fifty-nine (59) monthly installments of said Contract above mentioned in consideration for a discounted lump sum cash advance to FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: For and in consideration of the sum of Fifty Thousand and No/100 (\$50,000.00) Dollars cash in hand paid, the receipt and sufficiency of which is hereby acknowledged, we, FRANK HODGES, JR., of Travis County, Texas, and LEXINGTON WATER SYSTEMS, INC., a Texas corporation, hereby assign to TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN, of Bexar County, Texas, all of our right, title and interest in and to the option payment of \$1,062.50 and the fifty-nine (59) monthly installments of \$1,062.50 each due and owing under the Operating Agreement with Option to Purchase above mentioned, a true and correct copy of which is attached hereto as Exhibit "A".

It is specially agreed and understood that this is an assignment of money due or to become due only, and the said TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN, does not assume any

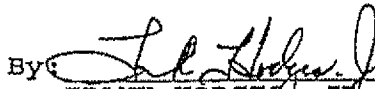
obligations of FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC., under said Operating Agreement with Option to Purchase; and, FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC. shall remain solely responsible to fulfill all obligations and responsibilities under said Operating Agreement with Option to Purchase as owner of the private water utility system the subject of said Contract.

For the consideration above stated, FRANK HODGES, JR., and LEXINGTON WATER SYSTEMS, INC., hereby authorize and direct ORANGE COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1, its successors and assigns, to pay the monthly installments of \$1,062.50 and the option payment of \$1,062.50 directly to TEXAS SECURITIES CORPORATION PROFIT SHARING PLAN, c/o Frost National Bank Account No. 080-446, P. O. Box 1600, San Antonio, Texas 78096, or wherever designated in writing by HARRY GRANBERRY, Trustee.

EXECUTED this 17<sup>th</sup> day of October, 1995.

  
FRANK HODGES, JR.

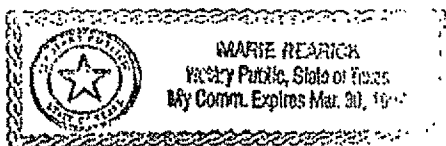
LEXINGTON WATER SYSTEMS, INC.

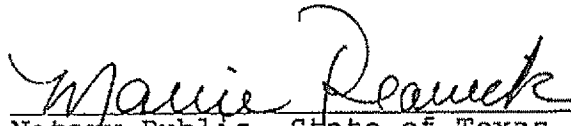
By:   
FRANK HODGES, JR., President

THE STATE OF TEXAS   §

COUNTY OF ORANGE   §

The foregoing instrument was acknowledged before me by the said FRANK HODGES, JR. on this the 17<sup>th</sup> day of October, 1995.



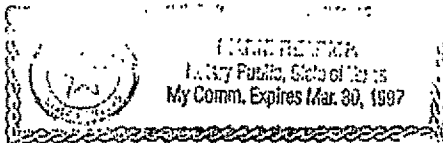
  
Notary Public, State of Texas

THE STATE OF TEXAS     §

COUNTY OF ORANGE     §

The foregoing instrument was acknowledged before me by the said FRANK HODGES, JR., in his capacity as President of LEXINGTON WATER SYSTEMS, INC. on this the 17th day of October, 1995.

Marti Pearce  
Notary Public, State of Texas



THE STATE OF TEXAS §

COUNTY OF ORANGE §

OPERATING AGREEMENT  
WITH OPTION TO PURCHASE

This agreement is made this 17th day of October, 1995, at Vidor, Orange County, Texas, by and between FRANK HODGES, JR. and LEXINGTON WATER SYSTEMS, INC., a Texas corporation, collectively hereinafter referred to as "Owner", and ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1, hereinafter referred to as "Operator".

Recitals

Owner is currently engaged in the private water utility business known as LEXINGTON WATER SYSTEMS, INC. at Vidor, Orange County, Texas, which serves the Oldbury Street, Lexington Street, and Concord Street areas in and near Vidor, Orange County, Texas, sometimes hereinafter collectively referred to as the "private water utility system", more particularly described as follows, to-wit:

1. All that certain private water utility system presently owned by Owner and serving the Oldbury Street, Lexington Street and Concord Street areas near and within Vidor, Orange County, Texas, including but not limited to all equipment, easements, the real property hereinafter described, all wells, pumps, tanks, valves, service lines, trunk and distribution lines and connections, and any other equipment pertaining to the said private water utility system, the wells being located on those certain tracts, pieces or parcels of land situated in Orange County, Texas, described as follows, to-wit:

WELL TRACT NO. 1:

BEGINNING at the Northeast corner of Lot 1 of said Subdivision, said point being in the East line of that certain tract described in Volume 504, Page 654 of the Deed Records of Orange County, Texas;

THENCE North 89 deg. 42 min. West along the North line of Lots 1 and 2 a distance of 202.81 feet to a point for corner at the Northwest corner of Lot 2;  
THENCE North a distance of 20 feet to an iron rod for corner;

THENCE South 89 deg. 42 min. East parallel to and 20 feet North of the North line of Lots 1 and 2 a distance of 202.81 feet to an iron rod for corner in the East line of the above referenced tract described in Volume 504, Page 654;

THENCE South along the East line of said tract a distance of 20 feet to the PLACE OF BEGINNING.

WELL TRACT NO. 2:

BEING a 40.0 foot by 60.0 foot tract out of I. & G. N. Railroad Company Survey, Section No. 21, Abstract 231, Vidor, Orange County, Texas, described by metes and bounds as follows:

FOR LOCATIVE PURPOSES begin at an iron pin which marks the Northwest corner of Lot 21, Block 2, Colonial Lane Estates, plat of which is recorded in the County Clerk's Office, Orange County, Texas;

THENCE South 89 deg. 50 min. West along the South line of a 60.0 foot wide egress-ingress and utility easement which is a westward extension of Tanglewood Drive, a distance of 574.64 feet to the Northeast and BEGINNING CORNER of the tract herein described;

THENCE South 89 deg. 50 min. West continuing along the South line of the said 60.0 foot wide easement a distance of 60.0 feet to a point for corner at the Northwest corner of the water well site and the Southwest corner of the said 60.0 foot wide easement;

THENCE South 00 deg. 10 min. East a distance of 40.0 feet to a point for corner;

THENCE North 89 deg. 50 min. East a distance of 60.0 feet to a point for corner;

THENCE North 00 deg. 10 min. West a distance of 40.0 feet to the PLACE OF BEGINNING.

Operator desires to operate and eventually purchase from Owner, and Owner desires to allow Operator to operate and eventually sell to Operator as a going concern said private water utility system.

Operating Agreement

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: Commencing on the 1st day of November, 1995, for a period of sixty-one (61) months, Owner grants Operator an exclusive easement to enter upon and maintain the above described private water utility system, and Operator shall operate the above described private water utility system, which currently has approximately fourteen (14) established customer connections on Oldbury Street, and approximately fifty-four (54) established customers on Lexington Street and Concord Street. Operator shall at Operator's expense maintain said private water utility system in good repair and condition, ordinary wear and tear excepted; and, Operator shall make all reports required by law and/or governmental regulation concerning said water system, including but not limited to the monthly water bacteriology monthly samples and reports to the Texas Department of Health Bureau of Laboratories.

### Consideration

And, as consideration for this operating agreement and the operations of said private water utility system by Operator, Operator agrees to pay to Owner the sum of Sixty-Three Thousand Seven Hundred Forty-One and No/100 (\$63,741.00) Dollars payable in fifty-nine (59) monthly installments of One Thousand Sixty-Two and 35/100 (\$1,062.35) Dollars, bearing no interest, said installments being due and payable on or before the 1st day of each and every calendar month, beginning the 1st day of December, 1995, and continuing regularly thereafter until the whole of said sum has been fully paid.

### Utility Charges

Operator shall pay all utility charges used in and for the operation of said private water utility system during the term of this agreement, such charges to be paid by Operator to the utility company or municipality furnishing same, as same become due and payable. All utility charges incurred prior to the execution of this agreement shall be pro-rated between Owner and Operator.

### Utility Rates

Operator shall bill all customers at the existing flat rate of \$16.00 per month, and a \$25.00 disconnect/reconnect fee, during the term of this agreement, unless said rate is modified by Owner or Operator and approved by The Water Utilities Division of the Texas National Resources Conservation Commission.

### Customer List

Owner shall furnish Operator a list of all customers of the private water utility system the subject of this agreement, including the name and mailing address of each customer, and the date and amount of the last payment, indicating the period billed for through the date of this agreement on or before the 5th day of November, 1995.

### Customer Deposits

Owner hereby represents and warrants to Operator that Owner does not have in Owner's possession any security deposits from the customers of said private water utility system the subject of this contract; that all customer security deposits previously held by Owner have been refunded; and, therefore, there are no customer deposits to transfer or refund.

### Option to Purchase

Operator shall have an exclusive first option to purchase the private water utility system the subject of this agreement at any point in time during the term of this agreement. Operator

shall exercise said option by payment of an additional sum of \$1,062.50 Dollars to Owner on or before the 30th day of November, 2000. The purchase of said private water utility system shall include the real property above described, all easements, trunk and distribution lines and taps, wells, pumps, tanks, valves, service lines, meters, all other equipment pertaining to said private water utility system, the contractual rights of Owner in the service connections of said private water utility system, and all customer billing accounts in existence at the time of Operator's election to exercise said option. It is specially agreed and understood should Operator exercise said option and connect any said private water utility system with the public water utility system presently owned and operated by Operator, Operator shall bear all cost of closing the respective existing well or wells.

#### Reports to Governmental Agencies

Owner agrees to timely publish all notices, prepare and file with the appropriate governmental agencies all reports required by law and/or governmental regulation, and obtain the approval of all governmental agencies regarding the transfer of the operation of the private water utility system the subject of this contract from Owner to Operator and/or any sale of said private water utility system by Owner to Operator, including but not limited to completing and filing an Application for Sale, Transfer or Merger of a Retail Public Utility with the Water Division of the Texas Natural Resources Conservation Commission, required before this agreement and/or the transfer of assets from Owner to Operator can be effective. Operator agrees to cooperate with Owner in making such applications, and to transfer to Operator the Certificate of Convenience and Necessity held by Owner for the private water utility system the subject of this agreement.

#### Covenant Not To Compete

As a part of the monetary consideration above stated, Owner agrees that Owner will not at any time during the term of this agreement and for a period of ten (10) years from the date of Operator's election to exercise the option to purchase the private water utility system the subject of this agreement, directly or indirectly, engage in, operate, manage, or have any substantial interest in or in common with any person, firm, or corporation that engages in, a private water utility system for the area presently served by the private water utility system the subject of this agreement.

#### Accounts Receivable and Payable

Owner shall retain all accounts receivable which accrue and/or have been paid prior to the 1st day of November, 1995, and Owner shall pay all indebtedness and accounts payable of said private water utility system the subject of this agreement which accrue prior to the 1st day of November, 1995.

Operator shall retain all accounts receivable which accrue on or after the 1st day of November, 1995, during the term of this agreement, and Operator shall pay all indebtedness and accounts payable of said private water utility system the subject of this agreement which accrue on or after the 1st day of November, 1995, during the term of this agreement.

#### Indemnity

Owner shall indemnify, hold harmless and defend Operator from any and all claims, losses, damages, injuries and liabilities arising from or in connection with the operation of said private water utility system prior to the 31st day of October, 1995.

Operator shall indemnify, hold harmless and defend Owner from any and all claims, losses, damages, injuries and liabilities arising from or in connection with the operation of said private water utility system during the term of this agreement.

#### Warranty of Title

Owner warrants that Owner has good and marketable title to the private water utility system the subject of this agreement, that Owner has the right to enter into this Operating Agreement with Option to Purchase, and that said private water utility system and all appurtenances are free and clear of encumbrances; and, further, upon Operator's election to exercise the option to purchase contained herein, Owner agrees to execute and deliver to Operator a General Warranty Deed to the real property above described conveying good and marketable title to Operator, together with an assignment of all easements held by Owner concerning the private water utility system the subject of this agreement, and a Bill of Sale conveying to Operator good and marketable title and binding Owner and Owner's heirs, successors and assigns to FOREVER WARRANT AND DEFEND the title to said private water utility system unto Operator, its successors and assigns, as of the date of the closing of the option to purchase, against every person whomsoever lawfully claiming or to claim the same or any part thereof.

#### Notice to Customers

Owner and Operator agree to issue a joint statement drafted by counsel for Operator giving notice of the change in operations to the customers of said private water utility system on or before the 25th day of October, 1995.

#### Risk of Loss

Operator shall bear all risk of loss, damage, or destruction to said private water utility system the subject of this agreement during the term of this agreement, including the period



of time thereafter should Operator elect to exercise the purchase option herein granted.

#### Proration of Taxes

All ad valorem taxes for the year 1995 shall be prorated between Owner and Operator. Owner shall be responsible for payment of all ad valorem taxes for the year 1994 and any prior years. Operator shall be responsible for the payment of all ad valorem taxes accruing during the term of this agreement.

#### Inurement

This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

#### Governing Law and Venue

This agreement shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Orange County, Texas, and venue of any suit arising from or relating to this agreement shall be fixed and lie in Orange County, Texas.

#### Legal Construction

In case any one or more of the provisions contained in this agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof, and this agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

#### Waiver of Default

No waiver by the parties hereto of any default or breach of any term, condition or covenant of this agreement shall be deemed to be a waiver of any other breach of the same or any other term, condition or covenant contained herein.

#### Prior Agreement Superseded

This agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.

#### Amendments

No amendment, modification or alteration of the terms hereof shall be binding unless the same are in writing, dated subsequent to the date hereof and duly executed by the parties hereto.

### Attorney Fees and Enforcement

In the event Owner or Operator breaches any of the terms of this agreement whereby the party not in default employs an attorney to protect or enforce his/its rights hereunder and prevails, then the defaulting party agrees to pay the other party's reasonable attorneys' fees so incurred by such other party. It is further agreed that either party may specifically enforce this agreement against a defaulting party.

### Use of Revenues

Operator hereby agrees to use the revenues derived from the operation of the private water utility system the subject of this Operating Agreement to pay the monthly installments as same become due and owing for the monetary consideration for this Operating Agreement as above provided, and in the event the revenues derived from the operating of said private water utility system are not sufficient to pay the monthly installment payments due hereunder, this Operating Agreement shall be subject to the annual appropriation by the Operator of sufficient funds to pay such installment payments as same become due and payable.

### Default

Should Operator default in payment of the monthly installment payments due hereunder as same become due and payable, or should Operator default in operation of the private water utility system the subject of this agreement, and should such default continue after ten (10) days written notice from Owner, his heirs or assigns, this Operating Agreement will terminate and all rights and ownership in and to the private water utility system the subject of this agreement shall revert to the Owner, and Operator shall surrender said private water utility system to the Owner in the same condition said water system were originally delivered to Operator, ordinary wear and tear excepted.


### Force Majeure

Neither Operator or Owner shall be required to perform any term, condition or covenant in this agreement so long as such performance is delayed or prevented by force majeure, which shall mean acts of God, restrictions by any governmental authority, civil riot, floods, and any other cause not reasonably within the control of Operator or Owner and which by the exercise of due diligence Operator or Owner is unable, wholly or in part, to prevent or overcome.

### Time of Essence

Time is of the essence in this agreement.

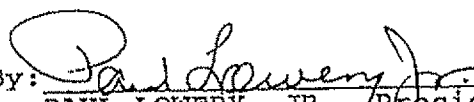
IN WITNESS WHEREOF, Owner and Operator execute this agreement effective as of the day and year first above written.

  
FRANK HODGES, JR., Owner


LEXINGTON WATER SYSTEMS, INC.,  
Owner

By:   
FRANK HODGES, JR., President

ORANGE COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 1

By:   
PAUL LOWERY, JR., President

ATTEST:

  
E. J. WOOD,  
Acting Secretary

LAW OFFICES OF  
**LARRY C. HUNTER**

1260 North Main • Vidor, Texas 77662  
Phone (409) 769-5453 • Fax (409) 769-0984

Courtney R. Burch  
Attorney at Law

Stephanie Hall  
Legal Assistant

August 27, 2002

Mr. Charlie Adams  
Orange County Water Control  
& Improvement District No.  
460 East Bolivar  
Vidor, Texas 77662

Re: Lexington Water System

Dear Mr. Adams:

I have already sent you Bills of Sale to be signed by Mr. and Mrs. Block and Larry Brewer concerning their respective Operating Agreements with Option to Purchase.

In your letter of July 24, 2002, you mentioned the Lexington Water System, and included a copy of a recorded General Warranty Deed concerning said system. The recorded General Warranty Deed serves as our bill of sale concerning the water system. We used a General Warranty Deed rather than a Bill of Sale because we were acquiring title to the two real property tracts in question, in addition to the water system mentioned in the last single spaced and indented paragraph which appears before the warranty paragraph at the end of page 2 of said deed.

In checking with Donna, it is my understanding Ms. Sweeney has not been asking for a bill of sale on the Lexington Water System. We may not want to mention this system to her since this bill of sale was concluded in 1999. I do not want to open a can of worms. Please check your records and see if there is a CCN for the Lexington Water System, which needs to be transferred into the name of the District.

Please give me a call after you have had a chance to look at your records concerning this matter. Thank you.

Sincerely,



Larry C. Hunter

LCH/sh  
Enclosures

COPY

198355

VOL 1140 PAGE 947

THE STATE OF TEXAS §

GENERAL WARRANTY DEED

COUNTY OF ORANGE §

KNOW ALL MEN BY THESE PRESENTS: That FRANK HODGES, JR., of Travis County, Texas, not joined by my wife in the execution hereof because the property herein conveyed constitutes no part of our homestead, and LEXINGTON WATER SYSTEMS, INC., a Texas corporation, in consideration of the sum of Ten and No/100 (\$10.00) Dollars, and other good and valuable cash consideration, to said Grantors in hand paid by the Grantee hereinafter named, the receipt and sufficiency of which is hereby acknowledged, and in accordance with that certain Operating Agreement with Option to Purchase dated October 17, 1995 by and between Grantors and Grantee herein, has GRANTED, SOLD AND CONVEYED and by these presents does GRANT, SELL AND CONVEY unto ORANGE COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1, a governmental entity of Orange County, Texas, whose mailing address is P. O. Box 1267, Vidor, Texas 77670-1267, all that certain property situated in Orange County, Texas, described as follows, to-wit:

WELL TRACT NO. 1:

BEGINNING at the Northeast corner of Lot 1 of said Subdivision, said point being in the East line of that certain tract described in Volume 504, Page 654, of the Deed Records of Orange County, Texas;

THENCE North 89 deg. 42 min. West along the North line of Lots 1 and 2 a distance of 202.81 feet to a point for corner at the Northwest corner of Lot 2;

THENCE North a distance of 20 feet to an iron rod for corner;

THENCE South 89 deg. 42 min. East parallel to and 20 feet North of the North line of Lots 1 and 2 a distance of 202.81 feet to an iron rod for corner in the East line of the above referenced tract described in Volume 504, Page 654;

THENCE South along the East line of said tract a distance of 20 feet to the PLACE OF BEGINNING.

WELL TRACT NO. 2:

BEING a 40.0 foot by 60.0 foot tract out of I. & G.N. Railroad Company Survey, Section No. 21, Abstract 231, Vidor, Orange County, Texas, described by metes and bounds as follows:

FOR LOCATIVE PURPOSES begin at an iron pin which marks the Northwest corner of Lot 21, Block 2, Colonial Lane Estates plat of which is

THENCE South 89 deg. 50 min. West continuing along the South line of the said 60.0 foot wide easement a distance of 60.0 feet to a point for corner at the Northwest corner of the water well site and the Southwest corner of the said 60.0 foot wide easement;

THENCE South 00 deg. 10 min. East a distance of 40.0 feet to a point for corner;

THENCE North 89 deg. 50 min. East a distance of 60.0 feet to a point for corner;

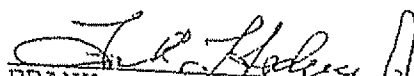
THENCE North 00 deg. 10 min. West a distance of 40.0 feet to the PLACE OF BEGINNING.

This conveyance is made and accepted subject to all valid mineral reservations, restrictions, rights of way, and easements of record in the office of the County Clerk of Orange County, Texas, affecting or relating to said property; all zoning, land use, occupancy or environmental ordinances, regulations, statutes, rules or administrative procedure of any federal, state or local agency, commission, bureau, department, office or other unit of government affecting or relating to said property; and, any and all unrecorded easements, rights of way, pipelines, utilities, fences, roads, pathways, and other conditions of said property visible to a reasonable person making a reasonably prudent inspection of such property.

Together with all water wells, pumps, tanks, valves, meters, service lines, trunk and distribution lines and connections, equipment, and private water utility system appurtenances thereto, located in or pertaining to the private water utility system commonly referred to as the "Lexington Water System", including the contractual rights of Grantor in the service connections of said private water utility system, and all customer billing accounts of said private water utility system.

TO HAVE AND TO HOLD the said premises and improvements above described, together with all rights, hereditaments and appurtenances thereto belonging, unto the said Grantee above named, its successors and assigns forever. And said Grantors do hereby bind themselves, their successors and assigns, to WARRANT AND FOREVER DEFEND the title to said property unto the said Grantee above named, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof.

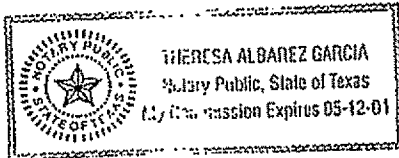
EXECUTED this the 22 day of July, 1999.



THE STATE OF TEXAS §

COUNTY OF TRAVIS §

This instrument was acknowledged before me by the said FRANK HODGES, JR. on this the 22<sup>nd</sup> day of July, 1999.

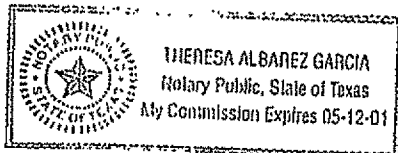


*Theresa Albarez Garcia*  
Notary Public, State of Texas

THE STATE OF TEXAS §

COUNTY OF TRAVIS §

This instrument was acknowledged before me by FRANK HODGES, JR., President of LEXINGTON WATER SYSTEMS, INC., on behalf of said Texas corporation, on this the 22<sup>nd</sup> day of July, 1999.



*Theresa Albarez Garcia*  
Notary Public, State of Texas

STATE OF TEXAS

COUNTY OF ORANGE

This instrument was acknowledged before me by FRANK HODGES, JR., President of LEXINGTON WATER SYSTEMS, INC., on behalf of said Texas corporation, on this the 22<sup>nd</sup> day of July, 1999.

JUL 29 1999



November 16, 2000

Mr. Harry Granberry  
Texas Securities Corporation  
Profit Sharing Plan  
205 Crestmont  
Alvin, Texas 77511

Re: Operating Agreement with Option to Purchase  
concerning Lexington Water Systems, Inc.

Dear Mr. Granberry:

Under the above mentioned Operating Agreement, which is the subject of that certain Assignment of Account Receivables from Frank Hodges, Jr. and Lexington Water Systems, Inc. to Texas Securities Corporation Profit Sharing Plan, the District is required to exercise the option to purchase by payment of an additional sum of \$1,062.50 on or before the 30<sup>th</sup> day of November, 2000. The District previously exercised the option, but did not make the payment until receipt of a General Warranty Deed signed by Frank Hodges, Jr. and Lexington Water Systems, Inc., to Orange County Water Control & Improvement District No. 1, dated July 22, 1999, recorded in Vol. 1140, Page 947, Official Public Records of Real Property of Orange County, Texas. No payment was made because Frank Hodges, Jr. and/or Lexington Water Systems, Inc., had failed to pay ad valorem taxes for the water system in question, which required the District to pay taxes not owed by the District. Such unpaid taxes are the subject of a pending tax suit in which the District intervened as an interested party.

On August 11, 2000, Frank Hodges, Jr. filed for bankruptcy protection in the United States Bankruptcy Court in the Western District of Texas, sitting at Austin, Texas. Since Mr. Hodges has already assigned the Operating Agreement to the Texas Securities Corporation Profit Sharing Plan for a lump sum payment previously made, and has already deeded the assets of the water system to the District more than a year prior to filing bankruptcy, the bankruptcy proceedings do not affect the option

*Our Mission*

*Plentiful supply of clean water • Efficient disposal of waste • Expand services as resources will allow • Exceed environmental standards • Strengthen commitment from employees by attention to their needs as regards compensation, training and operating equipment • We also pledge cooperation with public and private entities whose goals complement our own.*

460 E. BOLIVAR

• VIDOR, TEXAS 77662

• (409) 769-2669

• FAX (409) 769-3927



to purchase, which has already been exercised, or the right of Texas Securities Corporation Profit Sharing Plan to receive payments under the Assignment of Accounts Receivable. Therefore, please find enclosed a check from Orange County Water Control & Improvement District No. 1 payable to Texas Securities Corporation Profit Sharing Plan in the sum of \$1,062.50 as payment of the additional sum required to conclude the exercise of the option to purchase said water system. This concludes payment under the Operating Agreement with Option to Purchase.

If there are any questions, please feel free to call. Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul Lowery Jr.", is written over the typed name.

PAUL LOWERY, JR., President

# EXHIBIT B

ORANGE COUNTY WATER CONTROL  
& IMPROVEMENT DISTRICT NO. 1

P.O. BOX 1267 • VIDOR, TEXAS 77662

Telephone: [409] 769-2669

January 5, 1989

The Board of Directors of Orange County Water Control & Improvement District #1, met Thursday, January 5, 1989 in its regular scheduled monthly meeting with the following members present:

Paul Lowery, Jr.  
E. J. Wood  
Joseph W. Hext  
Wayne Revia  
W. L. Beard

President  
Vice President  
Secretary  
Director  
Director

Others present:

Larry Hunter  
David Perrell  
Melvin Block  
Larry Brewer  
James Manacha

Legal Counsel  
d.p. Consulting Engineers  
B & B Water System  
Gibson Street Water System  
Evergreen Park-Hickory Hill Water System

The meeting was called to order by Paul Lowery, Jr. at 7:05 P.M..

Opening prayer was given by Paul Lowery, Jr..

Minutes from the meeting of December 5th and 28th, 1988 were presented. Motion by Wayne Revia and seconded by E. J. Wood that the minutes be accepted as presented. Motion carried.

1. Discuss Certificate of Convenience and Necessity (CCN) with independent water suppliers. Mr. Larry Brewer discussed with the directors and Mr. Hunter, as to why the district was in preparation to apply for a (CCN). Mr. Lowery informed Mr. Brewer that the district was interested in making sure that the community receives the water and sewer service that would improve the community's health and welfare. Mr. Lowery stated that the district is seeking a (CCN) for the purpose of applying for grant funds, and in the event the district is allotted these funds, the district would be able to serve these areas. Also, the purpose of making one application for all the mentioned areas is to avoid the cost of applying for individual (CCN)'s. After a lengthy discussion with the independent water suppliers, it was agreed by the board of directors that certain areas would be excluded in the application for (CCN), these areas being Mr. Brewer's area on Harvey Lane, Renee' Street, Gibson Street, and Donald Lightfoot's Pineshadow Addition, James Manacha's Evergreen Park-Hickory Hills Water System, Frank Hodges water system, Lexington Water System Inc.. The Cloverleaf Addition, Wexford Park Sub-division and Heritage Park will remain the district's top priorities, therefore the district will continue to seek a dual (CCN). Wayne Revia made the motion to continue seeking a dual (CCN) for Cloverleaf Addition, Heritage Park and Wexford Park Sub-division, seconded by E. J. Wood, motion carried.
2. d.p. Consulting Engineers, Mr. Perrell reported on water and sewer projects. Mr. Perrell and Charles Adams are to go to Austin to discuss these projects and courses of action to undertake.