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May 13, 2021

Filed Electronically

F. KENT BURNS - RETIRED

Ms. Kimberly A. Campbell
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Raleigh, N.C.

Re: Application of Red Bird Utility Operating Company, LLC, d/b/a Red Bird Water for
Transfer of Etowah Sewer Company, Inc.
Docket Nos.: W-933, Sub 12 and W-1328, Sub 0

Dear Ms. Campbell:

On behalf of Red Bird Water I file the enclosed supplemental materials in support of the Application for Transfer of Public Utility Franchise and for Approval of Rates previously filed in this docket.

Specifically, I enclose Amended Pages 3, 4 and 5 to the Application, Attachment C.2 (Etowah's Form 4562), a redacted Non-confidential version of Attachment E.1 (redacted Income Statement / Cash Flow spreadsheet), Attachment E.2 (pro forma balance sheet), (Attachment G.2 (redacted Purchase and Sale Agreement), Attachment L.1 (redacted engineering summary), and Attachment O (list of assets being acquired) to the Application.

I am also filing Confidential Attachments E.1, E.3 and P to the Application. They are all marked "CONFIDENTIAL" and filed under seal as they contain confidential and proprietary information and are exempt from public disclosure under N.C. Gen. Stat. § 132-1.2. The Confidential attachments will be filed separately.

As always, please contact me if you or the Commission have any questions regarding this filing. Please notify me immediately if there is any question regarding maintaining the confidentiality of the exhibits marked as CONFIDENTIAL.

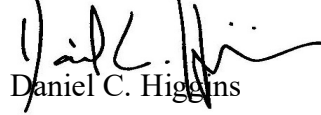
OFFICIAL COPY

May 14 2021

With best regards, we remain

Sincerely yours,

BURNS, DAY & PRESNELL, P.A.



Daniel C. Higgins

DCH/krs

Enclosures

cc: Public Staff Legal
Public Staff Water and Sewer
Red Bird Water
Etowah Sewer Company, Inc.

SERVICE AREA

Fill in one column for each Subdivision or Service Area.

	(1)	(2)	(3)
1. Name of Subdivision(s) or Service Area(s)	Etowah		
2. County (or Counties)			
3. Type of service (water, sewer, etc.)	Sewer		
4. If water is purchased, list from whom	N/A		
5. Source of water supply (wells, etc.)	N/A		
6. Number of wells in service	N/A		
7. Pumping capacity of each pump in service	N/A		
8. Elevated storage tank capacity (gals.)	N/A		
9. Pressure tank capacity (gals.)	N/A		
10. Types of water treatment (chlorine, etc.)	N/A		
11. Number of fire hydrants installed	0		
12. Is sewage disposal by septic tank or by sewer system?	Sewer System		
13. If disposal is by sewer system, is sewage treated by utility company or by others?	Treat Own Sewage		
14. Capacity of Company's sewage treatment plant (gallons per day)	125,000 GPD between both		
15. Is service metered? (yes or no)	Yes		
16. Number of water meters in use			
17. Number of service taps in use (list number of each size)	Water Sewer 41 423 443 470		
18. Number of customers at the end of test year	Water Sewer 41 423 443 455		
19. Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.)	Water N/A Sewer 700		
20. Number of customers that can be served by pumping capacity	Water N/A		
21. Number of customers that can be served by storage tank capacity	Water N/A		
22. Number of customers that can be served by treatment plant capacity	Sewer 700 Customers		
23. Name nearest water/sewer utility system	Mountain Valley WWTP		
24. Distance to nearest water/sewer utility system	Approx. 1 Mile		
25. Does any other person or utility seek to furnish the service(s) proposed herein? (yes or no)	No		
26. Has the system been offered for sale to the customers, county, or municipality? (yes or no)	Yes		
If not, why not? <u>The system has been offered for sale to the county and rejected by the Board of Commissioners.</u>			
27. a. DENR System I.D. No.	Water		
b. NPDES or Nondischarge Permit No.	Sewer	NC0071323	NC0071323

FINANCIAL STATEMENT

1. Will a separate set of books be maintained for the utility business?
Yes _____
2. Will a separate bank account be maintained for the utility business?
Yes _____
3. Are the revenues and expenses listed below based on past operations or are they estimated for future operations?
(actual or estimated) Past _____

REVENUES AND EXPENSES

For 12 Months Ended 12/31/2020 (Date)

<u>Revenues</u>	<u>Water</u>	<u>Sewer</u>
4. Residential service (flat rate)	\$ _____	\$ _____
5. Residential service (metered rate)	\$ _____	\$ <u>159,364.64</u>
6. Nonresidential service (flat rate)	\$ _____	\$ _____
7. Nonresidential service (metered rate)	\$ _____	\$ _____
8. Other revenues (describe in remarks below)	\$ _____	\$ <u>27,600.00</u>
9. Total Revenues (Lines 4 thru 8)	\$ _____	\$ <u>186,964.64</u>
10. Total salaries (except owner)	\$ _____	\$ _____
11. Salaries paid to owner	\$ _____	\$ _____
12. Administrative and office expense (except salaries)	\$ _____	\$ <u>41,313.41</u>
13. Maintenance and repair expense (except salaries)	\$ _____	\$ <u>64,669.47</u>
14. Transportation expenses	\$ _____	\$ <u>690.00</u>
15. Electric power for pumping	\$ _____	\$ <u>23,047.69</u>
16. Chemicals for treatment	\$ _____	\$ <u>17,032.50</u>
17. Testing fees	\$ _____	\$ <u>3316.15</u>
18. Permit fees	\$ _____	\$ <u>820.00</u>
19. Purchased water/sewer treatment	\$ _____	\$ <u>1603.09</u>
20. Annual depreciation	\$ _____	\$ _____
21. Taxes: State income taxes	\$ _____	\$ _____
22. Federal income taxes	\$ _____	\$ _____
23. Gross receipts (or franchise tax)	\$ _____	\$ _____
24. Property taxes	\$ _____	\$ <u>1381.55</u>
25. Payroll taxes	\$ _____	\$ _____
26. Other taxes	\$ _____	\$ <u>391.00</u>
27. Interest on debt during year	\$ _____	\$ _____
28. Other expenses (describe in remarks below)	\$ _____	\$ <u>32,142.77</u>
29. Total Expenses (Lines 10 thru 28)	\$ _____	\$ _____
30. Net Income (Line 9 minus Line 29)	\$ _____	\$ <u>497.01</u>

Remarks

31. Other Expenses: Autodialysis \$6071.77 / Sludge Pumping \$18,400.00 / Accountant \$1981.00
32. Insurance \$5604
33. _____
34. _____
35. Other Revenue - \$27,600 - Tee Fees

NUMBER OF CUSTOMERS SERVED

	<u>Water</u>		<u>Sewer</u>	
	<u>Flat Rate</u>	<u>Metered</u>	<u>Flat Rate</u>	<u>Metered</u>
36. Customers at beginning of year	_____	_____	<u>429</u>	<u>12</u>
37. Customers at end of year	_____	_____	<u>443</u>	<u>12</u>
38. Average gallons used per customer	_____ per month			

PURCHASER'S COST OF UTILITY SYSTEM

1. List Purchaser's cost of utility systems:

Water: _____

Sewer: See Attachment G

ORIGINAL COST OF UTILITY SYSTEM

As of Year Ended December 31, 2020 (Date)

Note: List the total original cost to construct and establish the system, whether or not paid for by the Seller.

	<u>Utility Property in Service</u>	
	<u>Water</u>	<u>Sewer</u>
2. Land and rights-of-way	\$ _____	\$ _____
3. Structures and site improvement	\$ _____	\$ _____
4. Wells	\$ _____	\$ _____
5. Pumping equipment	\$ _____	\$ _____
6. Treatment equipment	\$ _____	\$ _____
7. Storage tanks	\$ _____	\$ _____
8. Mains (excluding service connections)	\$ _____	\$ _____
9. Service connections	\$ _____	\$ _____
10. Meters (including spare meters)	\$ _____	\$ _____
11. Office furniture and equipment	\$ _____	\$ _____
12. Transportation equipment	\$ _____	\$ _____
13. Other utility property in service (describe in remarks below)	\$ _____	\$ _____
14. Total utility property in service (Lines 2 thru 13)	\$ _____	\$ <u>870,463</u>
15. Less: acquisition adjustments (difference between original cost above and cost to Seller)	\$ _____	\$ _____
16. Less: Seller's accumulated depreciation	\$ _____	\$ <u>(632,337)</u>
17. Less: Seller's accumulated tap fees and other contributions in aid of construction	\$ _____	\$ <u>(753,390)</u>
18. Seller's net investment in utility property (Line 14 minus 15, 16, & 17)	\$ _____	\$ <u>-515,264</u>

	<u>Utility Property Not in Service</u>	
	<u>Water</u>	<u>Sewer</u>
19. Construction work in progress	\$ _____	\$ _____
20. Property held for future use	\$ _____	\$ _____
21. Other (describe in remarks below)	\$ _____	\$ _____

Remarks Updated from 2019 Annual Report with 2020 Depreciation information

22. _____

23. **Based on a review of the financial information provided by Etowah, it seems that Sellers Accumulated tap fees and other CIAC increases each year with no offset to the Total Property in Service. Based on this information, Red Bird believes the Net Investment in Utility Property might not be accurately reflected**

24. _____

25. _____

ANNUAL DEPRECIATION

26. If annual depreciation is claimed using a composite rate for the entire system, show rate of depreciation used:

Water: _____

Sewer: _____

27. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used: **See Attachment M**

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0172

2020

Department of the Treasury
Internal Revenue Service (99)

► Attach to your tax return.
► Go to www.irs.gov/Form4562 for instructions and the latest information.

Attachment
Sequence No. **179**

Name(s) shown on return

ETOWAH SEWER COMPANY, INC

Identifying number

56-1617733

Business or activity to which this form relates

FORM 1120

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions).....	1	
2	Total cost of section 179 property placed in service (see instructions).....	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions).....	3	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-.....	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions.....	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29.....	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7.....	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8.....	9	
10	Carryover of disallowed deduction from line 13 of your 2019 Form 4562.....	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instrs....	11	
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11.....	12	
13	Carryover of disallowed deduction to 2021. Add lines 9 and 10, less line 12.....	13	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions.....	14	
15	Property subject to section 168(f)(1) election.....	15	
16	Other depreciation (including ACRS).....	16	22,304.

Part III MACRS Depreciation (Don't include listed property. See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2020.....	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here.....		<input type="checkbox"/>

Section B – Assets Placed in Service During 2020 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property.....						
b 5-year property.....						
c 7-year property.....						
d 10-year property.....						
e 15-year property.....						
f 20-year property.....						
g 25-year property.....			25 yrs		S/L	
h Residential rental property.....			27.5 yrs	MM	S/L	
i Nonresidential real property.....			39 yrs	MM	S/L	

Section C – Assets Placed in Service During 2020 Tax Year Using the Alternative Depreciation System

20a Class life.....					S/L	
b 12-year.....			12 yrs		S/L	
c 30-year.....			30 yrs	MM	S/L	
d 40-year.....			40 yrs	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28.....	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions.....	22	22,304.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs.....	23	

INCOME STATEMENT						
	Year 1	Year 2	Year 3	Year 4	Year 5	
<u>Operating revenue</u>						
Metered service revenue	\$ 132,371	\$ 409,423	\$ 464,833	\$ 464,833	\$ 464,833	
Flat rate service revenue	\$ -	\$ -	\$ -	\$ -	\$ -	
EPA testing surcharge	\$ -	\$ -	\$ -	\$ -	\$ -	
Re-connect fees	\$ 2,787	\$ 8,619	\$ 9,786	\$ 9,786	\$ 9,786	
Returned check charge	\$ 1,393	\$ 4,310	\$ 4,893	\$ 4,893	\$ 4,893	
Late payment charge	\$ 2,787	\$ 8,619	\$ 9,786	\$ 9,786	\$ 9,786	
Other operating revenue	\$ -	\$ -	\$ -	\$ -	\$ -	
Total operating revenue	\$ 139,338	\$ 430,972	\$ 489,298	\$ 489,298	\$ 489,298	
<u>Operating expenses</u>						
Total salaries and wages (employees only)	\$ -	\$ -	\$ -	\$ -	\$ -	
Outside labor expenses (non-employees)	\$ 118,718	\$ 118,718	\$ 118,718	\$ 118,718	\$ 118,718	
Administrative and office expense	\$ 22,050	\$ 22,050	\$ 22,050	\$ 22,050	\$ 22,050	
Maintenance and repair expense	\$ 10,584	\$ 10,584	\$ 10,584	\$ 10,584	\$ 10,584	
Purchased water	\$ -	\$ -	\$ -	\$ -	\$ -	
Purchased sewage treatment	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	
Electric power expense (exclude office)	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	
Chemicals expense	\$ -	\$ -	\$ -	\$ -	\$ -	
Testing fees	\$ 1,323	\$ 1,323	\$ 1,323	\$ 1,323	\$ 1,323	
Transportation expense	\$ -	\$ -	\$ -	\$ -	\$ -	
Other operating expense	\$ -	\$ -	\$ -	\$ -	\$ -	
Total operation and maintenance expenses	\$ 153,475	\$ 153,475	\$ 153,475	\$ 153,475	\$ 153,475	
Annual depreciation expense	\$ 60,730	\$ 61,234	\$ 63,753	\$ 63,753	\$ 63,753	
Property taxes paid on utility property	\$ 1,535	\$ 1,535	\$ 1,535	\$ 1,535	\$ 1,535	
Payroll taxes	\$ -	\$ -	\$ -	\$ -	\$ -	
Franchise (gross receipts) tax	\$ 1,535	\$ 1,535	\$ 1,535	\$ 1,535	\$ 1,535	
Annual NCUC regulatory fee	\$ 1,581	\$ 1,581	\$ 1,581	\$ 1,581	\$ 1,581	
Total operating expenses	\$ 218,855	\$ 219,359	\$ 221,878	\$ 221,878	\$ 221,878	
<u>Income Taxes</u>						
State income taxes	\$ -	\$ 5,290	\$ 6,686	\$ 6,686	\$ 6,686	
Federal income taxes	\$ -	\$ 44,439	\$ 56,158	\$ 56,158	\$ 56,158	
Total income taxes	\$ -	\$ 49,729	\$ 62,844	\$ 62,844	\$ 62,844	
Net operating income (loss)	\$ (79,517)	\$ 161,884	\$ 204,576	\$ 204,576	\$ 204,576	
Interest expense	\$ 60,730	\$ 61,234	\$ 63,753	\$ 63,753	\$ 63,753	
Net income (loss)	\$ (140,247)	\$ 100,650	\$ 140,824	\$ 140,824	\$ 140,824	

STATEMENT OF CASH FLOWS

	Year 1	Year 2	Year 3	Year 4	Year 5
PRE-TAX OPERATING INCOME (LOSS)					
Total Operating Revenue	\$ 139,338	\$ 430,972	\$ 489,298	\$ 489,298	\$ 489,298
Operation and Maintenance Expenses	\$ 153,475	\$ 153,475	\$ 153,475	\$ 153,475	\$ 153,475
Taxes Other than Income	\$ 4,650	\$ 4,650	\$ 4,650	\$ 4,650	\$ 4,650
Pre-Tax Operating Income (Loss)	\$ (18,787)	\$ 272,846	\$ 331,173	\$ 331,173	\$ 331,173
INCOME TAX CALCULATION					
Pre-Tax Operating Income (Loss)	\$ (18,787)	\$ 272,846	\$ 331,173	\$ 331,173	\$ 331,173
CIAC					
Tax Depreciation	\$ 60,730	\$ 61,234	\$ 63,753	\$ 63,753	\$ 63,753
Interest Expense	\$ 60,730	\$ 61,234	\$ 63,753	\$ 63,753	\$ 63,753
Taxable Income (Loss)	\$ (140,247)	\$ 150,379	\$ 203,667	\$ 203,667	\$ 203,667
State Income Tax	\$ -	\$ 5,290	\$ 6,686	\$ 6,686	\$ 6,686
Federal Income Tax	\$ -	\$ 44,439	\$ 56,158	\$ 56,158	\$ 56,158
Total Income Taxes to be Paid	\$ -	\$ 49,729	\$ 62,844	\$ 62,844	\$ 62,844
Net Cash Provided by Operating Activities	\$ (18,787)	\$ 223,117	\$ 268,329	\$ 268,329	\$ 268,329
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Utility Plant	\$ 1,214,603	\$ 60,454	\$ -	\$ -	\$ -
Cash Bonds Posted	\$ 134,956	\$ 6,717	\$ -	\$ -	\$ -
CIAC					
Proceeds from Disposal of Utility Plant					
Net Cash Used by Investing Activities	\$ 1,349,559	\$ 67,171	\$ -	\$ -	\$ -
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Short Term Debt					
Principal Repayment of Short Term Debt					
Proceeds from Long Term Debt	\$ 674,779	\$ 33,586	\$ -	\$ -	\$ -
Principal Repayment of Long Term Debt					
Interest Payment for Debt	\$ (60,730)	\$ (61,234)	\$ (63,753)	\$ (63,753)	\$ (63,753)
Proceeds from Equity	\$ 674,779	\$ 33,586	\$ -	\$ -	\$ -
Dividends Paid	\$ 79,517				
Funds Provided by Owner					
Net Cash Provided by Financing Activities	\$ 1,368,345	\$ 5,938	\$ (63,753)	\$ (63,753)	\$ (63,753)
Net Increase (Decrease in Cash)	\$ (0)	\$ 161,884	\$ 204,576	\$ 204,576	\$ 204,576
Cash Balance at Beginning of Year	\$ -	\$ (0)	\$ 161,883	\$ 366,460	\$ 571,036
Cash Balance at End of Year	\$ (0)	\$ 161,883	\$ 366,460	\$ 571,036	\$ 775,613

Projected Income Statement Assumptions

- Pre-rate increase revenues are based on multiplying the rates found in a system's most recent tariff and adding in a usage charge assuming 3,000-gallon usage per household per month.
- Flat Rate and Metered service revenues are expected to be 95% of total revenues with an allocation between the two derived from the allocation found in the most recent annual report.
- Reconnect fees are assumed to be 2% of revenues.
- Returned Check Charges are assumed to be 1% of revenues.
- Late Payment Charges are assumed to be 2% of revenues.
- Property Taxes are assumed to be 1% of total expenses.
- Franchise Tax are assumed to be 1% of total expenses.
- Annual NCUC Regulatory Fees are assumed to be 1% of total expenses.
- A water rate increase to \$73.44 and a sewer rate increase to \$92.46 is assumed to take place approximately 14 months post-acquisition. The Company is aware that any future increases in rates for the system at issue must be vetted and approved by the North Carolina Utilities Commission, which, after considering all relevant factors, is required by law to set rates that are fair and reasonable and consistent with applicable legal standards.
- Assumptions for O&M expense, chemicals, repairs, power, and purchased water/wastewater were made on a per system basis depending on specific plant specifications and geographic location.
- The following assumptions were made on an annual per connection basis:
 - Maintenance Expense - \$2 per connection
 - Testing Fees - \$.25 per connection
 - Administrative Expense - \$50 per connection
- The following assumptions were made regarding tax rates:
 - State Tax Rate – 2.5%
 - Federal Tax Rate - 21%

Cash Flow Assumptions

- The cash flow values are derived from balance sheet and income statement information.
- The cash flow projections utilize a hypothetical capital structure of 50% debt and 50% equity.
- The hypothetical debt assumes a term length of 240 months.
- The hypothetical debt assumes an interest rate of 9%.
- Depreciation expense assumes an average depreciation rate of 4.5%.
- Funds Provided by Owner change year-over-year to bring the Cash Balance at End of Year from a negative dollar amount to \$0.
- The Purchase of Utility Plant values found in Year 1 and Year 2 were created using the following assumptions:
 - Purchase Price - \$ [REDACTED]
 - Legal & Engineering Due Diligence Estimates - \$ [REDACTED]
 - Capital Estimates - \$ [REDACTED]
 - 5/6 of the total funds from the estimates above will be utilized in Year 1 and 1/6 of the funds will be utilized in the beginning months of Year 2

Attachment E.2

RED BIRD WATER UOC BALANCE SHEET

	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS					
Cash	\$ -	\$ 82,380	\$ 2,508,691	\$ 4,935,002	\$ 7,361,313
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Assets	\$ -	\$ 82,380	\$ 2,508,691	\$ 4,935,002	\$ 7,361,313
Property, Plant, and Equipment	\$ 14,952,938	\$ 20,945,538	\$ 20,945,538	\$ 20,945,538	\$ 20,945,538
Preliminary Survey	\$ 2,644,200	\$ -	\$ -	\$ -	\$ -
Total Long-Term Assets	\$ 17,597,138	\$ 20,945,538	\$ 20,945,538	\$ 20,945,538	\$ 20,945,538
Total Assets	\$ 17,597,138	\$ 21,027,918	\$ 23,454,229	\$ 25,880,540	\$ 28,306,851
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Interest	\$ 461,925	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	\$ 461,925	\$ -	\$ -	\$ -	\$ -
Notes Payable	\$ 8,798,569	\$ 10,472,769	\$ 10,472,769	\$ 10,472,769	\$ 10,472,769
Working Capital Transfer from Parent	\$ 584,898	\$ 1,464,665	\$ 2,407,214	\$ 3,349,763	\$ 4,292,312
Total Long-Term Liabilities	\$ 9,383,467	\$ 11,937,434	\$ 12,879,983	\$ 13,822,532	\$ 14,765,081
Total Liabilities	\$ 9,845,392	\$ 11,937,434	\$ 12,879,983	\$ 13,822,532	\$ 14,765,081
EQUITY					
Equity Capital Contributed	\$ 8,798,569	\$ 10,472,769	\$ 10,472,769	\$ 10,472,769	\$ 10,472,769
Retained Earnings	\$ (1,046,823)	\$ (1,382,285)	\$ 101,477	\$ 1,585,239	\$ 3,069,001
Total Equity	\$ 7,751,746	\$ 9,090,484	\$ 10,574,246	\$ 12,058,008	\$ 13,541,770
Total Liabilities and Equity	\$ 17,597,138	\$ 21,027,918	\$ 23,454,229	\$ 25,880,540	\$ 28,306,851

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is made as of the 23 day of August, 2019 by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its assigns ("Buyer"), and ETOWAH SEWER COMPANY, INC., a North Carolina corporation qualified and registered to transact business in the State of North Carolina ("Seller").

ARTICLE I
ACQUISITION OF THE PROPERTY

Section 1.01 The Property. Subject to the terms and provisions of this Agreement, Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, all of the following described property (the "Property"):

(a) All immovable property, including all right, title and interest therein, described in EXHIBIT A attached hereto, including but not limited to any mineral and other subsurface rights, together with all buildings and improvements located thereon, and all appurtenant rights relating thereto, including, but not limited to, warranties and guaranties, access easements and other easements and rights relating thereto, access to utilities, rights of way and similar rights located on or within or relating to any of the foregoing (collectively, the "Immovable Property");

(b) All movable property and intangible property used in connection with the ownership and/or operation of the Immovable Property, including, but not limited to, all such property described in EXHIBIT B attached hereto and made a part hereof (collectively, the "Movable Property");

(c) All of Seller's right, title, and interest in and to the area that the System (as defined below) services (the "Service Area"), as determined by Buyer and set forth in EXHIBIT C to be attached hereto prior to the conclusion of the Feasibility Period (as hereinafter defined), including but not limited to, all real property interests such as easements, rights of way, permits and leases related to the System, and including any and all sewer facilities, equipment, lines, plants, pipes, manholes, meters, lift or pump stations and appurtenances; and

(d) All property or rights of whatever nature and kind that Seller owns which in any way is used or is useful in the operation of a sewer utility system located in Henderson County, North Carolina (the "System").

Section 1.02 Purchase Price.

(a) The purchase price (the "Purchase Price") for the Property shall be [REDACTED]. The reasonable allocation of the Purchase Price between the categories in Sections 1.01(a) and 1.01(b) of the Property shall be set forth in EXHIBIT D prior to the Closing.

(b) The Purchase Price less any Earnest Money shall be payable in cash at Closing by wired funds and shall be paid by Buyer to Seller (to the account notified by Seller to Buyer prior to the Closing Date) on the Closing Date as defined in Section 4.01.

Section 1.03 Earnest Money. Within fifteen (15) days after the Effective Date (as defined below), Buyer shall deposit with a title company of its choice (the "Title Company") the sum of **Four Thousand Eighty and 00/100 Dollars (\$4,080.00)** as the earnest money under this Agreement (the "Earnest Money"). The Earnest Money shall be returned to Buyer or paid to Seller in accordance with the terms and conditions of this Agreement.

ARTICLE II
SURVEY AND TITLE REVIEW

Section 2.01 Survey. Buyer shall have the right, for its own benefit, to procure one or more ALTA surveys of the Immovable Property, subject to Section 2.03 (the "Survey"). The Survey shall be current, staked, and shall be made on-the-ground and signed, sealed, and certified in favor of Buyer by a duly licensed surveyor selected or approved by Buyer and receipt of the Survey by Buyer prior to Closing, subject to Section 2.03, is a condition to Closing. The cost of the Survey shall be borne by the Buyer.

Section 2.02 Title Insurance. The Buyer shall, within fifteen (15) days after the Effective Date, order and must receive prior to the Closing, subject to Section 2.03, as a condition to Closing, a commitment for title insurance and complete, legible copies of all exception documents (the "*Title Commitment*") issued by the Title Company covering the Immovable Property, binding the Title Company to issue to Buyer at Closing an owner's policy of title insurance paid for by Buyer (the "*Title Policy*") on the standard form of policy in the amount specified by Buyer insuring good, merchantable, and insurable fee simple title to the Immovable Property in Buyer, free and clear of all restrictions, easements, encumbrances, mortgages, liens, claims and other matters except any Permitted Exceptions as defined in Section 2.03.

Section 2.03 Buyer's Review. Buyer shall have until the expiration of the Feasibility Period to examine the Title Commitment and the Survey, and to deliver to Seller in writing Buyer's objections to any items contained or set forth in the Title Commitment or the Survey (the "*Unacceptable Exceptions*"). If Seller is unable or unwilling to eliminate and remove all of the Unacceptable Exceptions, then within fifteen (15) days after receipt of Buyer's written notice, Seller shall notify Buyer in writing of its inability or unwillingness to remove the Unacceptable Exceptions (and such notice shall set forth which Unacceptable Exceptions that Seller is unable or unwilling to remove) and Buyer may terminate this Agreement by giving written notice of such election delivered to Seller. If Buyer so terminates this Agreement, the Earnest Money shall be promptly returned to Buyer, after which neither Party shall have any further rights, duties or obligations hereunder, except as expressly provided in this Agreement to the contrary. If Buyer does not so terminate this Agreement after receiving Seller's written notice, then the Unacceptable Exceptions together with other exceptions not objected to by Buyer shall become Permitted Exceptions (the "*Permitted Exceptions*").

Section 2.04 Feasibility Period.

(a) Seller shall allow Buyer and its agents, employees, contractors, and consultants access to the Property to conduct soil and engineering tests, inspections of equipment, personal property, lines and other components of the System and to conduct any other tests Buyer deems necessary or appropriate in its sole and absolute discretion to determine the feasibility of the Property for Buyer's intended use (the "*Feasibility Study*"), for a period of **One Hundred (180) days** after the Effective Date (the "*Feasibility Period*"). Buyer shall bear all costs and expenses of its investigation and restore the Property to its condition prior to such investigation, ordinary wear and tear excepted.

(b) If Buyer finds the Property unacceptable for any reason or no reason, then Buyer, in its sole and absolute discretion, may terminate this Agreement by written notice to Seller on or before the expiration of the Feasibility Period. If Buyer so terminates this Agreement, the Title Company shall, upon demand by Buyer, promptly return the Earnest Money to Buyer and thereafter neither Party shall have any further rights, duties or obligations to the other hereunder.

(c) Seller shall deliver to Buyer within ten (10) business days after the Effective Date of this Agreement, the most recent title commitments, title policies, surveys, environmental site assessments, preliminary plats and site plans, any cross access and easement documents in connection with the Property, any development agreements affecting the Property, lease agreements affecting the Property, any customer lists for the System and any other documents Buyer may reasonably request related to the Property and/or the System.

Section 2.05 Other Termination Rights. In addition to any other rights and remedies set out herein (including but not limited to the termination rights in Sections 2.03, 2.04, 3.02(b) and 5.02), the Buyer shall have the right to terminate this Agreement as set out below:

(a) At any time up to and including the Closing Date if the regulatory bodies required to approve the sale of the System and the Property to the Buyer have not fully and unconditionally approved the sale upon the terms set out herein. In Buyer's sole and absolute discretion, Buyer may terminate this Agreement if the necessary regulatory approvals are not fully and unconditionally granted to Buyer in a form satisfactory to Buyer (as determined in Buyer's sole and absolute discretion) prior to the Closing by giving written notification of such termination to Seller, and upon such termination the Buyer shall receive a prompt return of the Earnest Money.

(b) In the event that, prior to the Closing, all or any portion of the Property is taken, condemned, expropriated, or made the subject of any eminent domain proceedings, or any of the foregoing is threatened (interchangeably, a "Taking"), Buyer may elect to either move to Closing and receive any Taking proceeds, plus an assignment of Seller's right, title, and interest thereto and claim therefor, as full satisfaction for the Taking, or Buyer may terminate this Agreement. Buyer shall notify Seller as to which option it elects within five (5) days prior to the Closing. If Buyer does not receive written notice of a Taking more than five (5) days prior to the Closing, the Closing Date shall be postponed to a date that is not less than five (5) days after Buyer's receipt of written notice of a Taking.

Section 2.06. Effect of Termination. Subject to Article V, upon the termination of this Agreement, the Title Company shall pay the Earnest Money to the appropriate party in accordance with the terms and conditions of this Agreement, and upon such payment being made the parties shall have no further liability hereunder (except with respect to liabilities of Seller accruing prior to such termination and those obligations hereunder which survive the termination of this Agreement).

ARTICLE III REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 3.01 Representations, Warranties and Covenants of Seller. Seller hereby represents and warrants to Buyer that the facts recited below are true, complete and accurate as of the date hereof and will continue to be true, complete and accurate at Closing:

(a) Seller is a corporation duly formed and in good standing under the laws of the State of North Carolina, is qualified to conduct business in the State of North Carolina and has the requisite power and authority to enter into and to perform the terms of this Agreement without obtaining any further consents or approvals from, or the taking of any other actions with respect to, any third parties. Seller is not subject to any law, order, decree, restriction or agreement that prohibits or would be violated by this Agreement or the consummation of the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transaction contemplated hereby have been duly authorized by all requisite action of Seller. This Agreement constitutes, and each document and instrument contemplated hereby to be created and delivered by Seller, when executed and delivered, shall constitute the legal, valid, and binding obligation by Seller, enforceable against Seller in accordance with its respective terms (subject to bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally).

(b) Neither the execution, delivery and performance of this Agreement, nor the consummation of the transactions contemplated hereby is prohibited by, or requires Seller to obtain any consent, authorization, approval or registration under any law, statute, rule, regulation, judgment, order, writ, injunction or decree which is binding upon Seller, other than any regulatory approvals disclosed in writing to Buyer.

(c) Seller has and will have at Closing good, merchantable, and insurable title, in fee simple, to the Property, free and clear of all mortgages, liens, claims, or other encumbrances (except those required by the Title Company in the Title Commitment to be fully satisfied with the Purchase Price at the Closing).

(d) To be best of Seller's Knowledge there are no pending or threatened condemnation, liens, claims, other encumbrances, special assessments, or similar proceedings or charges affecting the Property or Seller by any governmental authority.

(e) Seller is not a foreign corporation, foreign partnership, foreign trust, or foreign estate, or non-resident alien for purposes of US income taxation, pursuant to Section 1445 of the Internal Revenue Code.

(f) Seller has not: (i) filed any voluntary or had involuntarily filed against it in any court or with any governmental body pursuant to any statute either of the United States or of any State, a petition in bankruptcy or insolvency or seeking to effect any plan or other arrangement with creditors, or seeking the appointment of a receiver; (ii) had a receiver, conservator or liquidating agent or similar person appointed for all or a substantial portion of its assets; (iii) suffered the attachment or other judicial seizure of all, or substantially all of its assets; (iv)

given notice to any person or governmental body of insolvency; or (v) made an assignment for the benefit of its creditors or taken any other similar action for the protection or benefit of its creditors. Seller is not insolvent and will not be rendered insolvent by the performance of its obligations under this Agreement.

(g) There are no leases affecting any portion of the Property except such leases disclosed to Buyer in writing by Seller and there are no options, rights of first refusal or contracts granting any rights to acquire any right, title or interest in any portion of the Property, except as listed in the Title Commitment, if any.

(h) Seller has not received any notice of any violation of any ordinance, regulation, law or statute of any government agency or instrumentality pertaining to the Property and/or the System or any portion thereof which has not been complied with in all respects.

(i) There is no action, suit, proceeding or claim affecting Seller, the Property and/or the System, relating to or arising out of any lease, option or contract affecting the Property or the System, or the ownership, operation, use or occupancy of the Property or the System, pending or being prosecuted in any court or by or before any agency or other governmental instrumentality nor, to the best of Seller's Knowledge, has any such action, suit, proceeding or claim been threatened or asserted. There is no proceeding pending or presently being prosecuted in connection with the assessed valuation or taxes of other impositions payable in respect of any portion of the Property.

(j) No work has been performed or is in progress at, and no materials have been furnished to, the Property which might give rise to mechanic's, materialman's or other liens against the Property.

(k) The Property currently has or will have at Seller's sole cost and expense prior to the Closing cross access and easements rights and benefits providing pedestrian and vehicular access to and from the Property and all components within the System necessary to operate the same.

(l) The buildings and improvements, if any, that constitute part of the Immovable Property are structurally sound and there are no defects known to Seller that have not been disclosed to the Buyer in writing by Seller.

(m) To the best of Seller's Knowledge, there are no pending or contemplated zoning changes, variances, special zoning exceptions, conditions or agreements affecting, or potentially affecting the Property or any part thereof.

(n) Except as has been disclosed to Seller in writing by Buyer, the Property complies with all applicable laws of all governmental or quasi-governmental authorities having jurisdiction over, against or affecting the Property. Seller has not received written notice of any, and there are no violations of any laws, similar rules and regulations relating and/or applicable to the ownership, use and operation of the Property as it is now operated, and/or other licenses or permits, which remain uncured. All governmental or quasi-governmental occupancy and use permits, licenses, consents, approvals, permits, authorizations, certificates, and other requirements of the authorities necessary or required for the continued use and operation of the System and/or the Property for the purposes for which the same are intended (collectively, "Approvals"), if any, have been unconditionally and finally issued and paid for and are in full force and effect in accordance with the respective terms thereof. All work or conditions required to be performed or fulfilled pursuant to the Approvals (on or off-site) have been fully performed in accordance with the requirements thereof and the Property fully complies with the Approvals.

(o) To the best of Seller's Knowledge, there is no fact or condition which materially and adversely affects the business, operations, affairs, properties or condition of Seller or the Property, which has not been set forth in this Agreement or in the other documents, certificates or written statements furnished to Buyer in connection with the transactions contemplated hereby.

(p) To the best of Seller's Knowledge, no representation or warranty made by Seller in this Agreement, in any Exhibit attached hereto, or in any letter or certificate furnished to Buyer pursuant to the terms

hereof, each of which is incorporated herein by reference and made a part hereof, contains any untrue statement of a fact or omits to state a fact necessary to make the statements contained herein or therein not misleading.

(q) Environmental Matters.

(i) Except as disclosed on the attached EXHIBIT E, to the best of Seller's Knowledge, the Property is currently and has been in compliance with all Environmental Laws (as defined below) and Seller has not received any: (i) Environmental Notice (as defined below) or Environmental Claim (as defined below); or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing.

(ii) Except as disclosed on the attached EXHIBIT F, to the best of Seller's Knowledge, Seller has obtained and is in material compliance with all Environmental Permits (as defined below) (each of which is disclosed on EXHIBIT F) necessary for operating the System or use of the Property and all such Environmental Permits are in full force and effect and shall be maintained in full force and effect by Seller through the Closing in accordance with Environmental Law, and Seller is not aware of any condition, event or circumstance that might prevent or impede, after the Closing, the operation of the System as currently conducted or the ownership, lease, operation or use of the Property. With respect to any such Environmental Permits, Seller has undertaken, or will undertake prior to the Closing, all measures necessary to facilitate transferability of the same, and Seller is not aware of any condition, event or circumstance that might prevent or impede the transferability of the same and has not received any Environmental Notice or written communication regarding any material adverse change in the status or terms and conditions of the same.

(iii) None of the Property is listed on, or to the best of Seller's Knowledge, has been proposed for listing on, the National Priorities List (or CERCLIS) under CERCLA (as defined below), or any similar state list.

(iv) To the best of Seller's Knowledge, there has been no Release of Hazardous Materials (as defined below) in contravention of Environmental Law with respect to the Property or any real property currently or formerly owned, leased or operated by Seller in connection with the System, and Seller has not received an Environmental Notice that any of the Property or real property currently or formerly owned, leased or operated by Seller in connection with the System (including soils, groundwater, surface water, buildings and other structure located thereon) has been contaminated with any Hazardous Material which could reasonably be expected to result in an Environmental Claim against, or a violation of Environmental Law or term of any Environmental Permit by, Seller.

(v) To the best of Seller's Knowledge, no underground storage tanks are located on the Immovable Property and no construction debris has been buried on or under the Immovable Property.

(vi) EXHIBIT G contains a complete and accurate list of all off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by Seller and, to the best of Seller's Knowledge, any predecessors in connection with the System or the Property as to which Seller may retain liability, and none of these facilities or locations has been placed or proposed for placement on the National Priorities List (or CERCLIS) under CERCLA, or any similar state list, and Seller has not received any Environmental Notice regarding potential liabilities with respect to such off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by Seller.

(vii) Seller has not retained or assumed, by contract or operation of Law, any liabilities or obligations of third parties under Environmental Law.

(viii) Seller has provided or otherwise made available to Buyer and listed in EXHIBIT H: (i) any and all environmental reports, studies, audits, records, sampling data, site assessments, risk assessments, economic models and other similar documents with respect to the Property or any real property currently or formerly owned, leased or operated by Seller in connection with the System which are in the possession or control of

Seller related to compliance with Environmental Laws, Environmental Claims or an Environmental Notice or the Release of Hazardous Materials; and (ii) any and all material documents concerning planned or anticipated capital expenditures required to reduce, offset, limit or otherwise control pollution and/or emissions, manage waste or otherwise ensure compliance with current or future Environmental Laws (including, without limitation, costs of remediation, pollution control equipment and operational changes).

(ix) Seller is not aware of nor reasonably anticipates, as of the Closing, any condition, event or circumstance concerning the Release or regulation of Hazardous Materials that might, after the Closing, prevent, impede or materially increase the costs associated with the ownership, lease, operation, performance or use of the System and Property as currently carried out.

Section 3.02 Covenants of Seller.

(a) Seller will own, operate, use and manage the System and the Property only in the ordinary course of business consistent with past practice and in any event will ensure that, any provisions of this Agreement to the contrary notwithstanding, (i) the physical and environmental condition of the Property is the same at the time of the Closing as it is as of the Effective Date, only ordinary wear and tear as to the physical condition excepted, and (ii) Seller's title to the Immovable Property and the survey condition of the Immovable Property is the same at the time of the Closing as it is as of the Effective Date, only improvements to the title condition or survey condition performed or undertaken by Seller to address Unacceptable Exceptions excepted.

(b) Seller shall maintain current hazard insurance in force on the Property until the Closing Date. The risk of loss to the Property shall not pass to Buyer unless and until delivery of possession of the Property is delivered to Buyer. If an event of casualty occurs to the Property prior to Closing, the Buyer may elect to either move to Closing and accept any insurance proceeds and deductible, plus an assignment of all of Seller's right, title, and interest in and to any and all insurance claims, as full satisfaction for the damage to the Property or the Buyer may terminate this Agreement. Buyer shall notify Seller as to which option it elects within five (5) days prior to the Closing, but if Buyer does not receive written notice of such casualty more than five (5) days prior to the Closing, the Closing Date shall be postponed to a date that is not less than five (5) days after Buyer's receipt of written notice of such casualty.

(c) Seller agrees to execute any documents required by the controlling governing authority to replat or rezone the Property.

Section 3.03. Certain Definitions.

The following definitions apply in this Agreement:

(a) "*CERCLA*" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.

(b) "*Environmental Claim*" means any action, governmental order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any person alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence, Release (as defined below) of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

(c) "*Environmental Notice*" means any applicable law, and any governmental order or binding agreement with any governmental authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials.

(d) “*Environmental Laws*” means any written directive, notice of violation or infraction, or notice respecting any Environmental Claim relating to actual or alleged non-compliance with any Environmental Law or any term or condition of any Environmental Permit. The term “Environmental Laws” includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

(e) “*Environmental Permits*” means any permit, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law.

(f) “*Hazardous Materials*” means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls.

(g) “*Knowledge*” or “*Seller’s Knowledge*” means the actual knowledge of Seller and each of Seller’s Representatives; in each case, after due inquiry.

(h) “*Release*” means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

(i) “*Representatives*” in relation to a person means such person’s managers, shareholders, officers, directors, employees, agents, advisors, affiliates, successors, and permitted assigns and for the avoidance of doubt the Representatives of Seller.

Section 3.04 Indemnification. From and after the Closing, Seller shall defend, hold harmless and indemnify the Buyer and/or Buyer’s Representatives (as defined below) (collectively, “*Indemnified Party*”) from and against any and all losses, damages, diminutions in value, liabilities, deficiencies, claims, actions, judgements, settlements, interest, awards, penalties, fines, costs, or expenses of any kind, including professional fees and attorneys’ fees, that are suffered or incurred by the Indemnified Party or to which the Indemnified Party may otherwise become subject to at any time (collectively, “*Losses*”) arising out of or as a result of: (i) any inaccuracy in or breach of any representation, warranty and/or covenant made by Seller in this Agreement; (ii) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement; (iii) any actual or alleged liability of Seller and/or Seller’s Representatives, or any actual or alleged liability of Buyer that derives from any such liability of Seller and/or Seller’s Representatives, whether such liability arises before or after the Closing; and (d) any claim by a third party based upon, resulting from or arising out of (A) the business, operations, properties, assets or obligations of Seller conducted, existing or arising on or prior to the Closing; (B) any inaccuracy in or breach of any representation or warranty made by Seller in this Agreement, or any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement; (C) any negligent or more culpable act or omission of Seller or its Representatives (including any reckless or willful misconduct) in connection with the performance of its obligations under this Agreement; or (D) any failure by Seller or its Representatives to comply with any applicable federal, state or local laws, regulations or codes in the performance of its obligations under this Agreement. Notwithstanding anything to the contrary in this Agreement, Seller is not obligated to indemnify, hold harmless, or defend Indemnified Party against any claim (whether direct or indirect) if such claim or corresponding Losses arise out of or result from Indemnified Party’s gross negligence or more culpable act or omission (including recklessness or willful misconduct).

ARTICLE IV
CLOSING

Section 4.01 Closing.

(a) Subject to the terms and conditions of this Agreement, the Closing of the purchase and sale of the Property pursuant to this Agreement (the "*Closing*") shall take place at the Title Company thirty (30) days after the expiration of the Feasibility Period, or (i) such earlier date as is elected by Buyer by giving not less than three (3) days prior notice to Seller, or (ii) such later date as agreed in writing by Seller and Buyer (the "*Closing Date*").

(b) At the Closing, Seller shall deliver to Buyer the following:

(i) A certificate of good standing for Seller plus the requisite duly executed corporate approvals for the sale;

(ii) A general warranty deed in executed form, conveying good, merchantable, and insurable title in fee simple to all of the Immovable Property, free and clear of any and all mortgages, liens, encumbrances, claims, conditions, easements, assessments, and restrictions, except for the Permitted Exceptions, if any;

(iii) A duly executed bill of sale, conveying all of the Movable Property described in EXHIBIT B, free and clear of any and all mortgages, liens, claims, restrictions, and encumbrances;

(iv) A duly executed termination of lease, terminating any existing lease agreements encumbering or relating to the Property;

(v) A duly executed assignment of any interest in any other Property used and/or useful in the operation of the System that is owned by Seller;

(vi) Such other instruments and documents that are customarily executed by a seller of immovable property in the county in which the Property is located, including, but not limited to, resolutions or unanimous written consents of the Board of Directors of Seller, and if required the shareholders of Seller, to authorize the sale of the Property to Buyer pursuant to this Agreement;

(vii) Tax statements for calendar year of Closing;

(viii) Possession of the Property;

(ix) If requested by Buyer, and to the extent assignable, duly executed, conveyances and assignments to Buyer of any and all consents, authorizations, variances, waivers, licenses, permits, and approvals from any federal, state, county, municipal, or other governmental or quasi-governmental agency, department, board, commission, bureau, or other entity or instrumentality relating to the Property, including, without limitation, those relating to environmental, foundation, use, utilities, building, fire, traffic, and zoning heretofore or hereafter held by or granted to Seller (collectively, the "*Approvals*"). No additional consideration shall be due by Buyer for the Approvals, it being understood and agreed by Seller that the Purchase Price covers the Property, the Approvals, and the Claims (as hereinafter defined); and

(x) If requested by Buyer, duly executed assignments to Buyer, with full substitution and subrogation, of any and all claims, actions, rights, causes of action, rights of action, and warranties, whether arising in contract, tort, or otherwise, including, but not limited to, environmental claims, actions, rights, causes of action, rights of action, and warranties, that Seller has or may have against any and all persons and entities as a result of any apparent or non-apparent damage to, destruction of, or diminution in value of the Property, or any part thereof, occurring prior to the Closing (collectively, the "*Claims*"). No additional

consideration shall be due by Buyer for the Claims, it being understood and agreed by Seller that the Purchase Price covers the Property, the Approvals, and the Claims.

- (c) At the Closing, Buyer shall deliver to Seller the following:
 - (i) The Purchase Price; and
 - (ii) Such other instruments and documents that are customarily executed by a buyer of immovable property in the county in which the Property is located.

Section 4.02 Closing Costs and Prorations. Buyer and Seller hereby covenant and agree that:

(a) Seller shall pay the costs of any roll back taxes, one-half (1/2) of the escrow fee charged by the Title Company, and Seller's attorneys' fees and expenses. Seller shall also pay all fees, costs, and expenses for title curative work and any other work that Seller agrees to perform or undertake in order to address any Unacceptable Exceptions and/or to otherwise enable Seller to sell and deliver to Buyer good, merchantable, and insurable fee simple title to the Property as required by this Agreement.

(b) Buyer shall pay all remaining title fees charged by the Title Company, recording fees, and Buyer's attorneys' fees.

(c) All ad valorem real estate taxes and assessments levied or assessed against the Property shall be prorated according to the calendar year as of the Closing Date, based on the most recent tax bill and assessments levied for the same.

ARTICLE V
DEFAULTS AND REMEDIES

Section 5.01 Buyer's Default and Seller's Remedies.

(a) Buyer's Default. Buyer shall be in default under this Agreement if and only if any and all conditions to be satisfied under the terms of this Agreement prior to Closing have been satisfied (or duly waived) and Buyer fails or refuses to perform Buyer's obligations at Closing for any reason other than a default by Seller. For the avoidance of doubt, a termination under Section 2.04 will not constitute an event of default by Buyer.

(b) Seller's Remedies. If Buyer is in default under this Agreement, the sole and exclusive remedy of Seller, shall be receipt of the Earnest Money. Buyer and Seller agree that in such case the Earnest Money shall be liquidated or stipulated damages under North Carolina law for a breach or default by Buyer under this Agreement and/or any other actions or claims that could arise out of or are related to this Agreement because of the difficulty, inconvenience, and uncertainty of ascertaining actual damages for such default. Therefore, in no event shall Buyer be liable for or Seller be entitled to any actual damages or any other type of damages or remedy under any action or claim that could arise out of or that could any way relate to this Agreement other than the right to receive the stipulated amount of the Earnest Money as full satisfaction of Seller's claims.

Section 5.02 Seller's Defaults and Buyer's Remedies.

(a) Seller's Defaults. Seller shall be in default under this Agreement on the occurrence of any of one or more of the following events:

- (i) Any breach of a representation or warranty made by Seller in this Agreement or failure of any such representation or warranty to be true, accurate and complete; or
- (ii) Any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement.

(b) Buyer's Remedies. If Seller defaults under this Agreement (whether before or after the Closing or before termination or after termination in relation to provision that survive termination) Buyer may:

(i) If such default is identified prior to Closing, terminate this Agreement by written notice to Seller and Title Company, in which event the Title Company shall promptly refund the Earnest Money to Buyer;

(ii) Enforce specific performance of this Agreement against Seller; and/or

(iii) Pursue such other remedies as may be available at law or in equity, including a suit for any damages and the right to recover attorneys' fees and costs.

Section 5.03 Attorneys' Fees. If either party defaults under this Agreement, and the non-defaulting party employs an attorney to enforce the terms hereof, such non-defaulting party shall be entitled to reasonable attorneys' fees and costs from the defaulting party.

Section 5.04 Survival. The provisions of this Section 5 and of Article III, Article VI, Article VII shall survive the termination of this Agreement. The provisions of Article III shall survive the Closing for a period of five (5) years, except that the representations and warranties in Sections 3.01(a), (b), and (c), and Section 3.04 shall survive indefinitely. All other provisions of this Agreement shall survive Closing unless otherwise expressly stated.

ARTICLE VI **COMMISSIONS**

Section 6.01 Commission. No commissions are due and/or owing for the procurement of this Agreement to any third parties. Seller shall defend, indemnify, and hold harmless Buyer from and against any and all claims by any person or entity for brokerage fees, brokerage commissions, finder's or other fees, which shall include, but shall not be limited to, any and all court costs, attorneys' fees and other costs and expenses relating thereto, alleged to be due to any broker and/or agent with whom Seller has dealt in connection with this Agreement or the sale of the Property to Buyer, and Buyer shall defend, indemnify, and hold harmless Seller from and against any and all claims by any person or entity for brokerage fees, brokerage commissions, finder's or other fees, which shall include, but shall not be limited to, any and all court costs, attorneys' fees and other costs and expenses relating thereto, alleged to be due to any broker and/or agent with whom Buyer has dealt in connection with this Agreement or the purchase of the Property by Buyer.

ARTICLE VII **MISCELLANEOUS PROVISIONS**

Section 7.01 Effective Date of Agreement. The term "Effective Date" as used herein shall mean the date this Agreement has been fully executed by Seller and Buyer, as indicated by their signatures below, and a signed copy thereof is delivered to and acknowledged by the Title Company.

Section 7.02 Notices. All notices, demands and requests which may be given or which are required to be given by either party to the other, and any exercise of a right of termination provided by this Agreement, shall be in writing and shall be deemed effective when sent to the address or telecopy number of the party to receive such notice set forth below if effected by telecopy, e-mail or other electronic transmission, hand delivery, by Federal Express or other reputable courier service, or when deposited in any post office or mail receptacle regularly maintained by the United States Government, certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to Buyer: Josiah M. Cox
Central States Water Resources, Inc.
500 Northwest Plaza Drive
Suite 500
St. Ann, MO 63074

with a copy to: James A. Beckemeier
The Beckemeier Law Firm, LC
13421 Manchester Rd., Ste. 103
St. Louis, MO 63131
Phone: 314-965-2277
Facsimile: 314-965-0127
E-Mail: jim@beckemeierlaw.com

If to Seller: Kevin Griffin, President
Etowah Sewer Company, Inc.
1408B Patton Ave.
Asheville, NC 28808
Phone: (828) 273-3466
Facsimile: _____
E-Mail: kevin@hialtainvestments.com

with a copy to: _____

Attention: _____
Phone: _____
Facsimile: _____
E-Mail: _____

Section 7.03 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA AND ALL PROCEEDINGS OR OBLIGATIONS HEREUNDER SHALL BE MADE AND ARE PERFORMABLE IN HENDERSON COUNTY, NORTH CAROLINA.

Section 7.04 Successors and Assigns. This Agreement shall apply to, inure to the benefit of and be binding upon and enforceable against the parties hereto and their respective heirs, administrators, successors and assigns. Buyer shall have the right to assign this Agreement to another entity or affiliate by providing written notice to Seller of such assignment. However, Seller shall not have the right to assign this Agreement without the written consent of the Buyer.

Section 7.05 Counterparts and Amendments. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. This Agreement may only be amended by a written document signed by each of the parties hereto, which document shall make specific reference to this Agreement.

Section 7.06 Time. Time is of the essence in the performance of each term, condition, and covenant contained in this Agreement. No extension of time for performance of any obligation or act shall be deemed an extension of time for performance of any other obligation or act. If any date for performance of any term, condition or provision hereof shall fall on a Saturday, Sunday or legal holiday, then the time of such performance shall be extended to the next business day.

Section 7.07 Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Agreement or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or

unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby but shall be enforced to the greatest extent permitted by law.

Section 7.08 Entire Agreement. Buyer and Seller each acknowledges and agrees that at all times each have intended that none of the preliminary negotiations concerning this Agreement would be binding on any party. This Agreement and the Exhibits attached hereto prior to the Closing Date contain all the covenants, conditions, agreements and understandings between the parties and shall supersede all prior covenants, conditions, agreements, letters of intent, term sheets, and understandings between Seller and Buyer with respect to the purchase and sale of the Property and all other matters contained in this Agreement.

Section 7.9 Final Exhibits. The legal description of the Immovable Property contained in the Survey shall be substituted for the legal description of the Immovable Property used in EXHIBIT A as of the date hereof without the necessity of the parties executing any additional amendments to this Agreement. EXHIBIT C shall be included as part of this Agreement when, and in the form, notified to Seller by Buyer in writing. EXHIBIT D shall be included as part of this Agreement if and when it is in the form, agreed by Seller and Buyer in writing prior to Closing.

Section 7.10 Buyer Exchange. Seller and Buyer agree to cooperate should the other elect to purchase the Property or other real property as part of a like-kind exchange under IRC section 1031. Any contemplated exchange shall not impose upon the cooperating party any additional liability or financial obligation, and Buyer or Seller, as appropriate agrees to hold the other harmless from any liability that might arise from such exchange. This Agreement is not subject to or contingent upon either party's ability to acquire a suitable exchange property or effectuate an exchange. In the event any exchange contemplated by Buyer or Seller should fail to occur, for whatever reason, the sale of the Property shall nonetheless be consummated as provided herein.

Section 7.11 Rollback Taxes, Standby Fees and Special Assessments. If this sale results in the assessment after Closing of additional taxes, standby fees or special assessments for periods of Seller's ownership (including taxes assessed as a result of a change in ownership or usage), the additional taxes, fees or assessments plus any penalties and interest shall be paid by Seller to Buyer within fifteen (15) days of receipt by Buyer of a statement for such taxes, fees or assessments.

Section 7.12 Ambiguities Not to Be Construed against Party Who Drafted Agreement. The rule of construction that ambiguities in a document will be construed against the party who drafted it will not be applied in interpreting this Agreement.

Section 7.13 No Special Relationship. The parties' relationship is an ordinary commercial relationship of seller and buyer, and they do not intend to create and have not created the relationship of principal and agent, partnership, joint venture, or any other special relationship.

Section 7.14 Confidentiality. The parties will keep confidential this Agreement, this transaction, and all information learned in the course of this transaction, except to the extent disclosure is required by law or court order or to enable third parties to advise or assist Buyer to investigate the Property or either party to close this transaction.

Section 7.15 Business Day. As used in this Agreement, the term "business day" means Monday through Friday of each week, except for days on which banks in Henderson county, North Carolina are closed for business. If the final date of any period which is set out any section of this Agreement falls upon a day which is not a business day, then, and in such event, the time of such period will be extended to the next business day.

Section 7.16 Further Assurances. From the date hereof, Seller and Buyer each agrees to do such things, perform such acts and make, execute, acknowledge and deliver such documents as may be reasonably necessary and customary to complete the transactions contemplated by this Agreement. In particular, Seller and Buyer each agrees to do such things as may be reasonably necessary with respect to the transfer of the Property.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under proper authority and effective and binding as of the date first set above.


BUYER:

CENTRAL STATES WATER RESOURCES, INC.,
a Missouri corporation

By: 
Josiah M. Cox, President

SELLER:

ETOWAH SEWER COMPANY, INC.
a North Carolina corporation

By: 
Name: F. Kevin Griffin
Title: President

RECEIPT OF EARNEST MONEY

The undersigned Title Company hereby acknowledges its receipt of an executed copy of this Agreement and, the Earnest Money provided herein and, further, agrees to comply with and be bound by the terms and provisions of this Agreement, without demand, including, without limitation, those terms relating to the disposition of the Earnest Money.

Name of Title Company

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT A

Description of the Immovable Property

(The legal description(s) of the Land, Improvements thereon, Easements, & Rights of Way shall be determined by survey and title commitments, which shall be inserted prior to the expiration of feasibility period).

EXHIBIT B
Description of the Movable Property
(tools, devices, equipment, furniture, fixtures, machinery, supplies, and other tangible items)

EXHIBIT C
Service Area Map
(area in which the System service lines, plant, pipes, manholes, meters, lift or
pump stations and appurtenances, utility facilities, etc. are located)

EXHIBIT D
[Purchase Price Allocation will be completed by Company CPA]

EXHIBIT E
[Environmental Non-Compliance]

EXHIBIT F
[List of Permits and Non-Compliance with Permits]

EXHIBIT G
[Off-site Hazardous Materials Locations]

EXHIBIT H
[Reports, Studies, Audits, Records, Data, Site Assessment, Economic Models, etc.]

Etowah (Wastewater)

Facility Information:

Wastewater System: NPDES # NC0067288

Etowah, Henderson County, NC

~441 Service connections

Assets: 6 lift stations & associated equipment / 2 package plants & associated equipment (one site with two package plants)

Description of need:

The Etowah Wastewater Treatment Plant is an extended aeration package plant with a combination of gravity and force main collection system until it reaches the plant. There are 6 lift stations in the collection system. The lift stations are in average to good condition and will require some reinvestment to ensure uninterrupted service to customers. Additionally, 4 of the lift stations currently have no backup power. The wastewater treatment plant consists of two extended aeration package plants run in parallel. The plants are 20 and 30 years old and in satisfactory condition, with improvements needed to the plant structure and treatment equipment. The plant has incurred effluent exceedance for TSS, BOD, and fecal coliform on a regular basis over the last several years. Nuisance solids have been an issue for treatment and plant operations as the existing bar screen is underperforming and allowing rags and debris to pass into the treatment basins. The influent lift station is currently experiencing consistent problems relating to what is likely the result of the wet well being undersized or the currently installed pumps underperforming. Investigation will be required following closing to determine if a new wet well is needed or if pumps can simply be replaced. There is a regulatory limit on lift station start ups per hour that will likely be the determining factor, however if it is possible to replace pumps rather than the wet well, significant cost savings can be realized in the reworking of the lift station.

Proposed Improvements:

In order to ensure uninterrupted service and prevent backups in the event of a power failure, generator quick connects, and transfer switches will be installed at the 4 lift stations which do not currently have backup power for use with a portable generator. The failing grinder pumps in several lift stations will be replaced to similarly ensure uninterrupted service and prevent backups and overflows. Other improvements will be made to the lift stations including installation of hoist plates and a portable hoist, replacing guide rails and chains as needed, and replacing control panel enclosures. At the plant, the plant will be cleaned out to restore treatment capacity, a new solids screening system will be installed to prevent further problems with nuisance solids. The disinfection system will be replaced with an ultraviolet disinfection system to prevent further fecal coliform violations. The steel tankage must be rehabilitated to extend the life of the plant structure. Walkways, handrails, stairs, and signage will be repaired and replaced as needed. As described above, due to issues with the influent lift station, further evaluation is needed which will result in either the replacement of the wet well and all equipment or reworking the pumping systems.

Etowah WWTF (Wastewater)				
Item	Unit Cost	Unit	Quantity	Cost
Install Transfer Switch for Portable Generator Use	\$ 7,100	EA	4	\$28,400
Purchase Portable Hoist	\$ 3,000	EA	1	\$3,000
Install Baseplate for Use with Portable Hoist	\$ 500	EA	4	\$2,000
Replace 2 HP Grinder Pump	\$ 6,000	EA	4	\$24,000
Replace 3 HP Grinder Pump	\$ 7,500	EA	4	\$30,000
Replace 5 HP Grinder Pump	\$ 9,000	EA	2	\$18,000
Replace Pump Guide Rail and Chains	\$ 2,500	EA	6	\$15,000
Replace Control Panel Enclosures at Meadows LS	\$ 5,000	EA	1	\$5,000
Replace Walkways, Handrails, Stairs, and Signs	\$ 20,000	LS	1	\$20,000
Replace Tablet Disinfection System with Ultraviolet Disinfection System	\$ 100,000	LS	1	\$100,000
Influent lift station rehab	\$ 95,000	LS	1	\$95,000
Rehab Steel Tankage *Based on 25% of surface area	\$ 15	SF	2500	\$37,500
Install Vertical Screw Screen	\$ 70,000	LS	1	\$70,000
Replace Surge Protective Device	\$ 5,000	LS	1	\$5,000
Replace WWTP #1 Blower Panelboard	\$ 17,500	LS	1	\$17,500
Total				\$470,400

EXHIBIT B

Description of the Movable Property

(tools, devices, equipment, furniture, fixtures, machinery, supplies, and other tangible items)

Wastewater: 6 lift stations & associated equipment / 2 package plants & associated equipment

All personal property comprising the Sewer System and/or Water System that services the area set forth on Exhibit A, including but not limited to, the water lines, pipes, wells, well house, tanks, pumps, meters, valves, and any other appurtenances of the Water System, and all machinery, equipment, supplies and other tangible items used in connection with the Water System and including but not limited to the sewer lines, pipes, lagoons, pump stations, pumps, tanks, meters, valves, and any other appurtenances of the Sewer System, and all machinery, equipment, supplies and other tangible items used in connection with the Sewer System.