

## **Explanation of Corporate Structure**

The entity/corporate structure in place in North Carolina for Red Bird Utility Operating Company, LLC's affiliate group – consisting of the utility operating company, an intermediate holding company, and a state holding company – is a legacy structure that predates the acquisition of CSWR, LLC, by U.S. Water Systems, LLC, in late 2018. Prior to that acquisition, affiliates operating in Missouri and Arkansas – which were the affiliated group's only operations at that time – utilized an identical three-tiered structure. After U.S. Water System's acquisition, the legacy structure was replicated in each new state the affiliate group entered.

In North Carolina, Red Bird Utility Operating Company, LLC, holds (or will hold) all acquired utility assets and will operate as a regulated utility. Red Bird Utility Holding Company, LLC, the intermediate holding company, is the sole member of Red Bird Utility Operating Company, LLC and North Carolina Central States Water Resources, LLC, the state holding company, is the sole member of Red Bird Utility Holding Company, LLC. Neither the intermediate or state holding companies have assets or employees, so their existence adds no operating or administrative costs to the utility operating company.

CSWR, LLC ("CSWR") is the sole member of North Carolina Central States Water Resources. CSWR employs all administrative, professional, and other personnel providing affiliated services to Red Bird Utility Operating Company, LLC and all its various state utility operating company affiliates. Costs incurred by CSWR are either direct charged to an affiliate or are allocated using the Massachusetts allocation methodology. CSWR also provides its utility operating affiliates equity capital necessary to make acquisitions and to fund required capital improvements, and provides working capital to fund day-to-day operations until compensatory rates can be established.

Central States Water Resources, Inc., is the designated manager of all affiliated limited liability companies both inside and outside North Carolina, and exists solely for that purpose. Central States Water Resources, Inc. has no assets or paid employees, and performs its managerial responsibilities using CSWR personnel.