

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

Electronic Proposed Acquisition by)
Bluegrass Water Utility Operating)
Company, LLC and the Transfer of)
Ownership and Control of Assets by:)
Delaplain Disposal Company; Herring-)
ton Haven Wastewater Company, Inc.;)
Springcrest Sewer Company, Inc.; and)
Woodland Acres Utilities, LLC.)

Case No. 2020-00297

**Verified Joint Application for Approval of Acquisition and
Transfer of Ownership and Control of Utility Assets**

The Applicants, the acquirer and the four (4) transferring utilities named in the above caption, jointly submit this Application pursuant to KRS 278.020(6), (7), and (10), requesting that the Commission approve the acquisition and transfer of control of utility assets used in providing wastewater services to more than 490 customers in areas of Bullitt, Garrard, Jessamine, and Scott Counties, Kentucky. Upon completion of the proposed transactions, after Commission approval therefor is granted, (1) Bluegrass Water Utility Operating Company, LLC will adopt each transferring wastewater utility's tariffed rates for the provision of services to the respective utility's customers, and (2) each transferring utility will cease to have any ownership or control of utility facilities and will no longer be a utility subject to the jurisdiction of the Commission. This Application has been verified on behalf of each Applicant; the Verifications are gathered in Exhibit A hereto. To establish compliance of the proposed acquisition/transfer with KRS 278.020 standards, Applicants submit the attached exhibits A-N and further state as follows:

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I. Applicants

A. Acquirer: Bluegrass Water Utility Operating Company, LLC

1. Bluegrass Water Utility Operating Company, LLC (“Bluegrass Water” or “Acquirer”) is a class B sewer utility, PSC ID# 9004000. It is a limited liability company organized and existing under the laws of the Commonwealth of Kentucky with its principal office and place of business at 1650 Des Peres Road, Suite 303, St. Louis, Missouri 63131. Bluegrass Water’s addresses to be used for service in this case are: (a) postal mail: 1650 Des Peres Road, Suite 303, St. Louis, Missouri 63131; and (b) electronic mail: rmitten@cswrgroup.com and regulatory@cswrgroup.com.

2. Bluegrass Water was organized as an LLC on March 21, 2019 and is currently in good standing in Kentucky. Its sole member is Bluegrass Water Utility Holding Company, LLC, which is a limited liability company organized and existing under the laws of the Commonwealth of Kentucky. Bluegrass Water is a manager-managed company. Its manager is Central States Water Resources, Inc (“Central States”), which is a corporation organized on January 27, 2014, and existing under the laws of the State of Missouri.

3. Bluegrass Water currently owns, controls, operates, and manages sewer systems in Bullitt, Franklin, Hardin, Madison, Marshall, McCracken, Oldham, Scott, and Shelby Counties, Kentucky, and provides collection, transmission, and treatment of sewage on those systems.¹ Bluegrass Water also currently owns, controls, operates, and manages a water system in

¹ Bluegrass Water acquired these sewer systems in accordance with the final Orders entered August 14, 2019 in Ky. PSC Case No. 2019-00104 and February 17, 2020 in Ky. PSC Case No. 2019-00360.

Calloway County, Kentucky.² By May 29, 2020, Bluegrass Water had closed on all the approved transactions from 2019-00104 and 2019-00360. After each closing, Bluegrass Water has been operating all the facilities acquired and providing service to customers through those facilities. To date, Bluegrass Water's sewer and water customers total over 2,000.

4. Per the final orders in each of the previous application acquisitions, Bluegrass Water issued Adoption Notices adopting the filed tariffs for each of the transferor utilities in Case Nos. 2019-00104 and 2019-00360. Bluegrass Water has also issued a tariff in its own name, with rates for each system that were the same as those set forth in the most recent tariff of the respective transferor utility.

5. By an Application filed February 24, 2020, in Case No. 2020-00028, Bluegrass Water proposed to acquire the assets of four non-jurisdictional wastewater systems and thereafter provide continued service to those systems' customers under the jurisdiction of the Commission. On June 19, 2020, the Commission entered a final Order in the proceeding ("2020-00028 6/29/20 Order"), approving the Application upon listed conditions. The closings for these four wastewater systems have not yet occurred.

6. Bluegrass Water now seeks to acquire the utility assets from the four (4) joint-applicant transferring utilities and will thereafter provide continuity of service to their customers under the jurisdiction of the Commission.

B. Transferring Utilities

7. Each of the four (4) transferring utilities is organized under the laws of the Commonwealth of Kentucky, and with the exception noted in paragraph 17 below, each is currently

² By the final Order entered on February 17, 2020 in Ky. PSC Case No. 2019-00360, Bluegrass Water acquired Center Ridge Water District, Inc.

in good standing in Kentucky. Delaplain Disposal Company (“Delaplain”), Herrington Haven Wastewater Company, Inc. (“Herrington Haven”), Springcrest Sewer Company, Inc. (“Springcrest”) and Woodland Acres Utilities, LLC (“Woodland Acres”) are each a sewer utility as defined by KRS 278.010(3)(f). All four (4) utilities are subject to the jurisdiction of the Commission. The mailing address and electronic mail address for each transferring utility to be used for service in this case are as set out on Exhibit B to this Application.

1. Delaplain Disposal Company

8. Delaplain Disposal Company is a class B sewer utility in Scott County Kentucky, PSC ID# 40505. Delaplain is a Kentucky Corporation organized on April 17, 1986 and this sewer began operations on July 1, 1975. It is currently in good standing with the Kentucky Secretary of State. Its most recently filed annual report is for 2019, which states that as of year-end 2019 it had 296 single-family residential customers and 34 commercial customers.

9. Delaplain’s current tariff is P.S.C. KY. No. 2, for serving customers in Scott County, Kentucky: (a) industrial and commercial customers at the I-75 interchange with Delplain Road, including the Delaplain Industrial Park; and (b) residential customers in the nearby Deer Run, Moonlake Estates, Shuttle Run, and Riffon Meadows subdivisions. Sanitary sewer service rates for residential customers is a monthly rate of \$12.50, and rates for commercial/industrial customers are \$8.89 per 1,000 gallons. Delaplain’s most recent rate case is Case No. 2010-00349, an alternative rate filing adjustment.

10. Delaplain’s existing facility is authorized to treat up to 240,000 gallons per day, and includes two influent lines and an aeration tank with two centrifugal blowers to aerate the tank. The facility also has a circular clarifier with scum collection and air lift of scum to digester.

There is also a comminutor which is no longer utilized. A copy of the third-party engineering analysis describing this system is provided in Exhibit C.³

2. Herrington Haven Wastewater Company, Inc.

11. Herrington Haven Wastewater Company, Inc. (“Herrington Haven”) is a class D sewer utility in Garrard County Kentucky, PSC ID# 43150. Herrington Haven is a Kentucky corporation organized on September 6, 1995, and it began sewer operations on July 1, 1996. It is currently in good standing with the Kentucky Secretary of State. Its most recently filed annual report is for 2019, which states that as of year-end 2019 it had 20 single-family residential customers.

12. Herrington Haven’s current tariff is P.S.C. KY. No. 1, for serving Herrington Haven and Woodland Estates in Garrard County, Kentucky. The applicable rate for its residential customers is a monthly flat rate of \$49.66. Herrington Haven’s most recent rate case is an alternative rate filing in Case No. 2017-00311, with the adjusted rates effective as of March 23, 2018.

13. Herrington Haven’s plant is authorized to discharge up to 9,800 gallons per day. The existing facility includes an extended aeration package plant including a mechanically cleaned bar rack screen, a single aeration basin, two hopper bottomed clarifiers, and a chlorine contact tank. Downstream of the packaged plant there is a V-notched weir box that is used for dechlorination contact time and flow monitoring. A copy of the third-party engineering analysis describing this system is provided in Exhibit D.⁴

³ The publicly-filed copy of this engineering report is redacted. A contemporaneously filed Motion for Confidential Treatment has been filed for the information contained within the engineering reports.

⁴ The publicly-filed copy of this engineering report is redacted. A contemporaneously filed Motion for Confidential Treatment has been filed for the information contained within the engineering reports.

3. Springcrest Sewer Company, Inc.

14. Springcrest Sewer Company, Inc. (“Springcrest”) is a class D sewer utility in Jessamine County, Kentucky, PSC ID# 9000400. Springcrest was incorporated in Kentucky on February 20, 1996, and it began sewer operations in July 1, 1996. It is currently in good standing with the Kentucky Secretary of State. Its most recently submitted annual report was for 2019. Springcrest currently serves 42 single-family residential customers.

15. Springcrest’s current tariff is P.S.C. KY. No. 1, for serving Equestrian Woods Subdivision in Jessamine County, Kentucky. Springcrest’s rates for its residential customers is \$27.43 monthly. Springcrest has not filed a rate case since it began providing sewer service.

16. Springcrest’s system includes a low-pressure sewer system and an irrigation disposal system. Each of the existing homes in the subdivision utilizes a septic tank for wastewater treatment and a low pressure pumping system to convey effluent to the low pressure main that conveys wastewater to the common disposal site. The pump pits are each 3’ in diameter, have a 5’ total depth, are constructed of FRP, and include 18” opening in the cover. The gray water conveyed through the low service lines are routed through a single 4” force main to the wastewater disposal facility. A copy of the third-party engineering analysis describing this system is provided in Exhibit E.⁵

4. Woodland Acres Utilities, LLC.

17. Woodland Acres Utilities, LLC (“Woodland Acres”) is a class D sewer utility in Bullitt County, Kentucky, PSC ID# 56900. Woodland Acres was formed as a Kentucky limited

⁵ The publicly-filed copy of this engineering report is redacted. A contemporaneously filed Motion for Confidential Treatment has been filed for the information contained within the engineering reports.

liability company on May 3, 2010, and it began sewer operations in September 1, 2009. It is currently in bad standing with the Kentucky Secretary of State and has been administratively dissolved. Its most recently submitted annual report was for 2018. Woodland Acres currently serves 104 single-family residential customers.

18. Woodland Acres' current tariff is P.S.C. KY. No. 1, for serving Woodland Acres Subdivision in Bullitt County, Kentucky. The tariff identifies that customers currently pay a single-family residential rate per unit of \$19.47, and this has remained unchanged since 1993.

19. Woodland Acres' plant is authorized to discharge up to 25,000 gallons per day. The existing facility includes an extended aeration package plant including a mechanically cleaned bar rack screen, a single aeration basin, equalization basin with two influent pumps (one portable), aerobic digestion, rapid sand filter, and a chlorine contact tank. Dechlorination is utilized downstream of disinfection. A copy of the third-party engineering analysis describing this system is provided in Exhibit F.⁶

II. Proposed Acquisition/Transfer

A. Agreements

20. Bluegrass Water has entered into an Agreement for Sale of Utility System with each transferring utility (called a Purchase and Sale Agreement with Delaplain), attached as a redacted Exhibit hereto,⁷ as follows:

<u>Seller</u>	<u>Date</u>	<u>Exhibit</u>
Delaplain	8/23/19	G

⁶ The publicly-filed copy of this engineering report is redacted. A contemporaneously filed Motion for Confidential Treatment has been filed for the information contained within the engineering reports.

⁷ Joint Applicants are requesting confidential treatment of the redacted material in a concurrently filed Motion for Confidential Treatment.

<u>Seller</u>	<u>Date</u>	<u>Exhibit</u>
Herrington Haven	12/29/19	H
Springcrest	1/10/2020	I
Woodland Acres	10/17/19	J

Each Agreement designates the buyer as CSWR or its affiliate and/or assigns, and provides that, at the Closing, the transferring utility shall sell, transfer, assign, and deliver its assets to CSWR or CSWR’s designated affiliate/assigns. CSWR has designated Bluegrass Water, its affiliate, as the buyer for each Agreement attached hereto (redacted Exhibits G-J).

21. Each Agreement provides for the sale of all of the assets owned by the transferring utility pertaining to its operation of a sewer system. The sale includes all assets used or useful to operate the system, including real property interests, sewer service machinery and equipment, other tangible fixtures or personalty, franchises, contract rights, customer deposits, accounts receivable, and other intangibles.

22. The Agreements for the systems (other than with Delaplain) provide for the buyer, Bluegrass Water, to assume liability and become responsible at the Closing “for all obligations in connection with the Assets going forward, excepting responsibility for any liabilities and/or obligations of Seller in connection with the Assets that existed prior to the date of the Closing.” Instead of this language, Delaplain’s Purchase and Sale Agreement includes indemnification language that provides for indemnification by the Seller for liabilities arising prior to Closing.

23. The sale of assets under terms specified in the Agreements promotes the interests of the public generally and of the transferring utilities’ customers more specifically. Bluegrass

Water will provide continuity of service to the current customers of the transferring utilities, and will work to make necessary improvements to improve the quality of service as needed. A third-party engineering firm has conducted site visits on each system, identified potential and existing issues, and outlined a plan for repairs and improvements. A redacted copy of the engineering report for each system is provided as Exhibits C-F. Central States has been funding and will continue to fund pre-Closing costs for Bluegrass Water, including due diligence work relating to the transferring utilities' assets and compliance efforts.

B. Closing

24. After Commission approval has been given and before the Closing, Bluegrass Water's acquisition of the four transferring utilities' assets will be funded with equity capital from its affiliate CSWR, LLC. CSWR, LLC's consolidated balance sheet and income statement for 2020 through June 30, 2020 are attached to this Joint Application as redacted Exhibit K.⁸

25. The Agreements' provisions allow for the respective Closings to take place on different days.

26. The systems all require various improvements and repairs, as indicated in the attached (redacted) engineering reports in Exhibits C-F. While most of the identified diagnostic tests, repairs, and improvements will take place post-Closing, Bluegrass Water and each of the utilities have begun the process of working through these issues, if necessary, to move the facilities in the right direction prior to Closing to ensure continuity of service to the affected customers.

⁸ Joint Applicants are requesting confidential treatment of the material redacted in a Motion for Confidential Treatment submitted concurrently with this Joint Application.

C. Post-Closing

27. From and after the Closing of the acquisition from each transferring utility, Bluegrass Water will assume responsibility for the operation of the respective wastewater systems to ensure continuity of service to the existing customers.

28. Following the Closing on these assets, Bluegrass Water will provide service in accordance with each transferring utilities' current sewer tariff on file with the Commission. In all cases, there will be continuity of service to the existing customers. Bluegrass Water will file an adoption notice for the existing tariffs after closing on the respective sewer systems, and then shortly thereafter will file revisions to the current Bluegrass Water sewer tariff related to the acquisitions. These revisions will include new sheets specific to each system, providing for the rates in the transferring utility's tariff at the time of the closing; the proposed new tariff sheets are attached hereto as Exhibit L.

29. The systems acquired will be operated by a qualified, experienced, third-party operations and maintenance ("O&M") firm engaged by Bluegrass Water. Currently in Bluegrass Water's other Kentucky systems, that firm is Midwest Water Operations, LLC, and it is anticipated that Midwest Water Operations, LLC will be the entity to provide O&M service for the utility systems subject to this Joint Application. This O&M firm has knowledgeable and experienced personnel, who carry the necessary state licenses, and has insurance coverage necessary to manage the daily wastewater operations of the systems. In addition to service obligations during normal business hours, the O&M firm to be engaged is required to have a 24-hour emergency service line on which customers may report any service disruption. In addition, notice of service disruption calls would be forwarded to Josiah Cox, the president of Central States.

30. A qualified, experienced, third-party firm engaged by Bluegrass Water will send out bills and handle service-related billing questions for the acquired systems. Currently in Bluegrass Water's other Kentucky systems, that firm is Nitor Billing Services, LLC, and it is anticipated that Nitor Billing Services, LLC will be engaged in this role for the utilities subject to this Joint Application. This firm has in place an online billing system to receive credit cards and e-checks from customers and a Bluegrass Water specific customer service email account to handle customer inquiries and other interactions. The customer service representatives are to be available during normal business hours, and to take messages 24 hours a day. In addition, all electronic or paper correspondence is recorded and logged to the respective customer's account to ensure the highest level of service.

31. Bluegrass Water will maintain (a) a toll-free phone number and (b) a website that contains a summary of customers' rights, tariffs, or links to the tariffs, for each system, contact information for emergencies during regular and after-hours to report service issues, links to any tariffs filed in the future with the Commission, and links to Bluegrass Water's systems maps on the Kentucky Infrastructure Authority Wastewater Mapping website.⁹ Bluegrass Water's arrangements will ensure continuity of service to current customers of the four transferring utilities and that future customers are provided with a quality of service equal to or better than that currently being provided by the respective transferring utility. These arrangements include implementation of a computerized maintenance management system for utility assets, on-line bill-pay options, up-to-date website bulletins about current service status and service initiation/discontinuation procedures.

⁹ See Case Nos. 2019-00104 8/14/19 Order; 2019-00360 2/17/20 Order; 2020-00028 6/19/20 Order.

32. While day-to-day operations, billing, and customer service functions would be provided by third-party contractors, all management, financial reporting, underground utility safety and locations services, Commission and environmental regulatory reporting and management, record keeping, and final customer dispute management would be performed by personnel at Central States' corporate office. Proportional costs for those services will be allocated to Bluegrass Water (considering it as one utility). The same Central States personnel responsible for existing systems' operations will also provide oversight of the systems to be acquired.

33. In addition, the Engineering Reports prepared for each of the four systems to be acquired (attached as redacted Exhibits C-F) identify potential and existing issues, and outline a plan for repairs and improvements. Bluegrass Water plans to fund the work to repair and improve the acquired systems with debt financing, including long-term loans to which it has access through CSWR, LLC. Over time, this borrowed funding will balance the equity funding to achieve the planned 50-50 capital structure that has been developed for Bluegrass Water.¹⁰

34. Bluegrass Water plans to fund the work to repair, replace, and improve the acquired systems with debt financing. Over time, this borrowed funding will balance the equity funding to achieve the planned 50-50 capital structure that has been developed for Bluegrass Water. A 50-50 capital structure will provide Bluegrass Water with good access to working capital and financing resources and will allow it to adequately fund and maintain the transferred systems. While this is the ultimate goal, the short-term plan will be equity financing.

35. In the near term, Bluegrass Water will track expenses, revenues, and assets on a per-system basis. Bluegrass Water anticipates that, as in its previous acquisition cases, it will file

¹⁰ See Notice and Plan re Capital Structure filed March 16, 2020, in Case No. 2019-00360, which, *inter alia*, details Bluegrass Water's plan to achieve the goal of a 50/50 capitalization structure on average over time.

its post-closing accounting entries in accordance with the Uniform System of Accounts, within 30 days of the closing of the last transaction. The Applicants anticipate that the Commission will require the transferring utilities to file annual reports for any partial year it operated and/or owned the assets for be transferred up until closing.

36. Bluegrass Water anticipates that there will be regionalization and other consolidation benefits from its acquisition of these systems, especially as it already operates systems in the Purchase area and in Scott and Madison Counties. There are also possible economies of scale and scope from the aggregation of the assets and operations of the four systems with others in one Kentucky-focused operating company that is part of a corporate group with substantial experience and expertise in operating wastewater systems.

37. Over time, Bluegrass Water will integrate the four acquired systems with others operated in Kentucky so that regulatory and technical standards are met on a uniform basis, and customers will be served under a unified tariff. Bluegrass Water has filed a notice of intent to file an application for an adjustment of rates and for construction authority (Case No. 2020-00290); the forecasted test year will include projections for these four systems and the proposed unified tariff rates would apply to them.

III. KRS 278.020(6), (7), and (10) standards

A. Bluegrass Water has the financial, technical, and managerial abilities to provide reasonable service.

38. Bluegrass Water has the necessary abilities to provide services to the communities associated with its co-Applicants' systems, through its affiliation with and support from CSWR, LLC, other operating utility affiliates, and its manager, Central States.

39. By finding investment capital and investors who are willing to make investments and take the risks necessary to bring small water and wastewater systems into compliance with

current statutes, rules, and regulations, the group of companies affiliated with Bluegrass Water and Central States has been able to acquire distressed systems, invest capital necessary to construct or repair physical facilities, and operate those systems in a way that satisfies customers, regulators, and investors alike. While referring to Central States' business model as novel, the Commission has nonetheless found that Bluegrass Water has the sufficient financial ability to acquire and operate the systems recently acquired and to provide reasonable service in Kentucky. Central States business plan¹¹ and the expertise its personnel provide to affiliates have proven successful in multiple states, and there is every reason to believe that record of success will continue for Bluegrass Water with regard to Kentucky systems previously acquired and to those proposed to be acquired.

40. The level of experience and expertise that Central States currently provides to affiliated systems in Kentucky, Missouri, Louisiana, Texas, and Arkansas — and that it would bring to the acquired systems — is not usually available to small systems like those for which transfer approval is sought in this case. Furthermore, through economies of scale that Central States' centralized management structures can achieve, this experience and expertise is available at a lower cost than would be the case if Bluegrass Water or the individual acquired systems had to provide such expertise and support on its own. Where additional or supplemental expertise is required (*e.g.*, personnel holding licenses or certifications required by Kentucky law), Bluegrass Water or Central States (as its manager) will engage qualified independent contractors to satisfy those needs.

¹¹ The business plan is to purchase and recapitalize failing water and wastewater systems and to operate those systems as investor-owned regulated utilities.

1. Financial ability

41. Bluegrass Water has the financial capability necessary to acquire, own, and operate the transferring utilities' assets. CSWR, LLC will provide equity financing for the proposed acquisitions, and through it, debt financing (including long-term loans) can be made available to Bluegrass Water. CSWR, LLC has also provided a Guaranty to the Commission of up to \$140,000 in maximum aggregate liability relating to two months of Bluegrass Water's obligation to its third-party contractors relating to its 11 existing sewer systems. A copy of the Guaranty, filed in Case Nos. 2019-00104 and -00360 on July 24, 2020, is attached as Exhibit M. CSWR, LLC's consolidated balance sheet and income statement for 2020 through June 30, 2020 is attached to this Joint Application as redacted Exhibit K.

42. A *pro forma* income statement and balance sheet for Bluegrass Water after the proposed acquisitions/transfers and as of a point at which planned improvements/repairs and related financing have occurred is attached as redacted Exhibit N.¹² The *pro forma* statements for Bluegrass Water reflect the acquisition costs, the costs of the planned repairs and improvements, and the most-recent publicly-available reported annual operating expenses and revenues of the individual transferring utilities.¹³

43. Bluegrass Water has the ability to secure the commitment of equity capital and has access to long-term loans as needed to finance the acquisitions, the planned repairs and im-

¹² Joint Applicants are requesting confidential treatment of the redacted material (which is only in the *pro forma* Balance Sheet) in a Joint Motion for Confidential Treatment submitted concurrently with this Joint Application.

¹³ The pre-acquisition numbers for Bluegrass UOC (left column) in Exhibit N only include those amounts for systems owned by Bluegrass Water as of July 2020 and do not include amounts for the four sewer systems in Case No. 2020-00028. The projected operating revenues in Exhibit N are at current rates.

provements, and operation of the systems. Acquisition capital and financing for repair/improvements are planned to result in a 50-50 capital structure for Bluegrass Water as part of CSWR's long term-plan. *See* Exhibit N, p. 1 (balance sheet).

2. Technical ability

44. As demonstrated by the success of Bluegrass Water's operating affiliates in Missouri, Texas, Louisiana and Arkansas and the service transition in Kentucky upon the closing of the transactions approved in Case Nos. 2019-00104 and 2019-00360, access to Central States' technical resources has improved the quality of service to its customers. If this Commission grants approval of the proposed acquisition and transfers, the same benefits would be brought to these systems and the customers they serve while providing continuity of service.

45. In addition, technical ability has been demonstrated by the pre-Closing work undertaken to identify system deficiencies and plan concrete steps to address them, bring the systems into compliance, and update and improve their operation. *See* Exhibits C-F (engineering reports).

46. The Commission has found that Bluegrass Water has the requisite technical ability for approval of earlier acquisitions. *See* 2019-00104 8/14/19 Order p. 12; 2019-00360 2/17/20 Order p. 10; 2020-00028 6/19/20 Order p. 16.

3. Managerial ability

47. Central States currently provides management and technical services for water and wastewater systems in Missouri, Louisiana, Texas, and Arkansas that serve approximately 38,365 customers/connections. Bluegrass Water's affiliates' actions in taking these systems and providing skilled management allowed these systems to reverse course from failing to complying

with state and federal regulation while providing better service to a broader customer base. Central States' experienced management team has extensive knowledge of how to address the issues that arise in small failing systems and resolve these issues to enable the systems to provide competent services, which would better serve the communities currently dependent on each of the co-Applicants.

48. Managerial ability is also shown by the engagement of qualified third-party firms to provide operation and maintenance of the systems and customer service and billing, as well as in the oversight of these firms and functions by Central States personnel on behalf of Bluegrass Water.

B. The proposed acquisition is to be made in accordance with the law, for a proper purpose, and is consistent with the public interest.

49. Bluegrass Water's proposed acquisition of the four subject systems is in accordance with the law, for a proper purpose, and is consistent with the public interest. The proposed acquisition thus meets the standards of KRS 278.020(7).

1. Made in accordance with the law

50. The proposed acquisitions and transfers will not occur before or without the Commission's approval therefor.

51. In addition to this application to the Commission, Applicants will make all required regulatory filings for the proposed transactions and expect to receive all required approvals. In particular, the Applicants will apply for the transfer of any KPDES permits for each system to Bluegrass Water.

52. Each proposed transaction has been approved by Bluegrass Water's member and by the board or owner(s) of each transferring utility.

2. For a proper purpose

53. Bluegrass Water is acquiring the utility assets to operate them for the purpose of providing reasonable, effective, and efficient wastewater service to existing and future customers.

54. The acquisitions will result in the transfer of assets to an entity that will have sufficient capital and operating funds to operate, maintain, and expand the systems, while providing continuity of service to its customers. Aggregation of the assets and operations of the transferring utilities with others in one operating company affiliated with entities that have substantial experience and expertise in operating wastewater systems is also likely to create economies of scale and scope that can sustain and improve existing service.

3. Consistent with the public interest

55. Full compliance with both state and federal regulations is imperative for purposes of health and safety. Bluegrass Water would ensure continuity of service for the customers of these transferring utilities, and customers would receive better service. Bluegrass Water has researched the state of the existing systems and has concrete plans and the financial wherewithal to bring these systems in compliance to serve the customers and community as a whole.

56. The acquired sewer systems to be acquired are all troubled or marginal as they exist now. Some are carrying extensive age and will need overhaul to update the systems. It is in the public interest that these sewer systems be acquired by an entity that will professionalize the operations and has a focus on long-term ownership, substantial resources, and affiliation with experienced water and sewer-system owner-operators.

C. Bluegrass Water has provided evidence of financial integrity to ensure the continuity of sewer service in the event that Bluegrass Water cannot continue to provide service.

57. Bluegrass Water has provided herewith evidence of its financial integrity to ensure the continuity of wastewater service, identified in paragraphs 344 and 41-43 above and in attached Exhibits K, M, and N.

58. As Condition #5 to the 2019-00104 and 2019-00360 Final Orders, the Commission required that Bluegrass Water “post a guaranteed financial instrument that is the equivalent of two-months of the cost of its third-party contractors” with respect to the sewer utilities’ systems approved to be acquired in those cases. In fulfillment of that condition, a Guaranty by CSWR, LLC (attached as Exhibit M) was filed in those cases on July 24, 2020. The Guaranty’s maximum aggregate liability (\$140,000) is sufficient to cover two months’ costs of Bluegrass Waters’ third-party contractors for its existing 11 sewer systems and the estimated additional cost of those contractors for the systems that are the subject of this Application.

IV. Conclusion

WHEREFORE, the Applicants request that the Commission grant expedited consideration and relief as follows:

- (1) Issue a final order regarding this Joint Application within the 60-day period provided in KRS 278.020(7);
- (2) Grant this Joint Application as submitted or, in the alternative, with appropriate terms and conditions prescribed;

- (3) Permit Bluegrass Water after the proposed acquisition/transfer to operate the transferred sewer utility assets in accordance with its current sewer tariff on file with the Commission, except that the rates to be charged will remain the same as set forth in the respective current tariff (as reflected on the proposed tariff sheets attached as Exhibit L), and
- (4) Relieve each transferring utility of any further utility-service obligations after it has transferred its assets.

Respectfully submitted,

/s/ Kathryn A. Eckert _____

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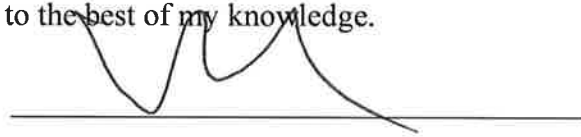
EXHIBITS

- A. Verifications
- B. Mailing and E-Mailing Addresses for Joint Applicants
- C. Engineering Report (Delaplain) (*redacted*)
- D. Engineering Report (Herrington Haven) (*redacted*)
- E. Engineering Report (Springcrest) (*redacted*)
- F. Engineering Report (Woodland Acres) (*redacted*)
- G. Purchase and Sale Agreement (Delaplain) (*redacted*)
- H. Agreement for Sale of Utility System (Herrington Haven) (*redacted*)
- I. Agreement for Sale of Utility System (Springcrest) (*redacted*)
- J. Agreement for Sale of Utility System (Woodland Acres) (*redacted*)
- K. CSWR, LLC Consolidated Financials, CYE June 30, 2020 (*redacted*)
- L. Proposed Tariff Sheets
- M. Guaranty dated July 24, 2020, from CSWR, LLC in favor of the Commission, relating to obligations of Bluegrass Water
- N. Pro Forma Balance Sheet and Income Statement, Bluegrass Water Utility Operating Company, LLC (*redacted*)

Bluegrass Water Utility Operating Company, LLC

Verification

I, **Josiah Cox**, President of Central States Water Resources, Inc., the manager of **Bluegrass Water Utility Operating Company, LLC** ("Bluegrass"), do hereby verify on behalf of Bluegrass that the statements made in this Joint Application regarding Bluegrass Water Utility Operating Company, LLC are true and accurate to the best of my knowledge.



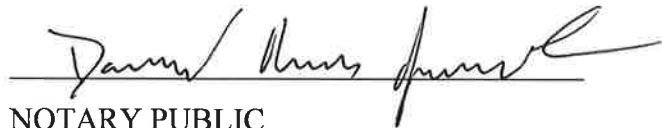
Josiah Cox

STATE OF MISSOURI)

COUNTY OF ST. LOUIS)

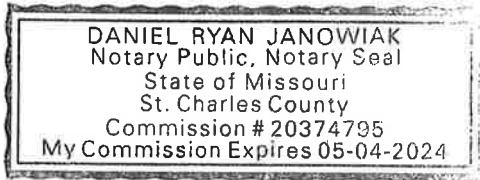
Subscribed, sworn to, and acknowledged this 14th day of Sept, 2020, before me, a Notary Public in and before said County and State.

My Commission expires: 5/4/24



NOTARY PUBLIC

{seal}



Herrington Haven Wastewater Company, Inc.

VERIFICATION

I, Charles Melvin Price, President of Herrington Haven Wastewater Company, Inc., do hereby verify on behalf of Herrington Haven Wastewater Company, Inc., that the statements made in this Joint Application regarding Herrington Haven Wastewater Company, Inc., are true and accurate to the best of my knowledge.

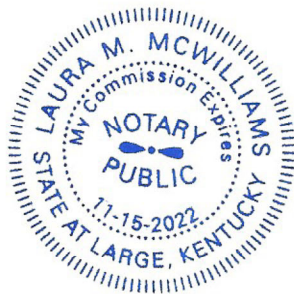
Charles Melvin Price
Charles Melvin Price

Commonwealth of KENTUCKY)
County of Garrard)

Subscribed, Sworn to, and acknowledged this 11th day of Sept., 2020, before me, a Notary Public in and before said Commonwealth and County.

My Commission expires: 11-15-2022

Laura M. McWilliams
NOTARY PUBLIC



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

Electronic Proposed Acquisition by Bluegrass)
Water Utility Operating Company, LLC and)
the Transfer of Ownership and Control of) No. 2020-00297
Assets by: Delaplain Disposal Company;)
Herrington Haven; Springcrest Sewer)
Company; and Woodland Acres Utilities.)

Verified Joint Application

Exhibit B - Mailing and E-mail Addresses

All service in this case should include service on the Joint Applicants' counsel at the following mailing and email addresses:

Katherine K. Yunker; kyunker@mcbayerfirm.com
Kathryn A. Eckert; keckert@mcbayerfirm.com
McBrayer PLLC
201 E. Main Street; Suite 900
Lexington, KY 40507-1310

The individual mailing address and email address for each Applicant are as follows:

<u>Applicant</u>	<u>Mailing Address/E-mailing Address</u>
Bluegrass Water Utility Operation Company, LLC	1650 Des Peres Road, Suite 303, St. Louis, Missouri 63131 rmitten@cswrgroup.com and regulatory@cswrgroup.com
Delaplain Disposal Company	1029 Monarch St., Ste 250; Lexington, KY 40513 dray@rayconsultantsllc.com
Herrington Haven Wastewater Company, Inc.	P.O. Box 546; Lancaster, KY 40444 price966@aol.com
Springcrest Sewer Company	P.O. Box 546; Lancaster, KY 40444 price966@aol.com
Woodland Acres Utilities, LLC	379 Brooksvew Circle; Brooks, KY 40109 wecandigit@aol.com

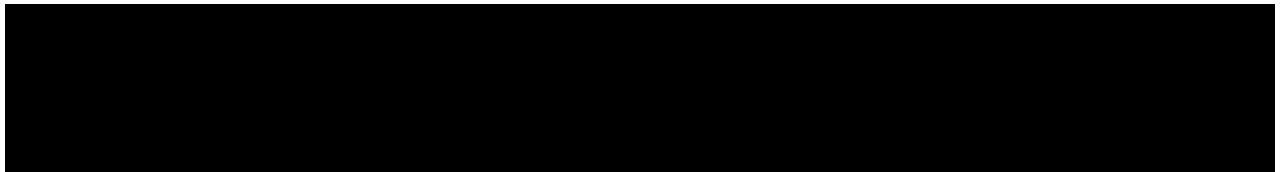
Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



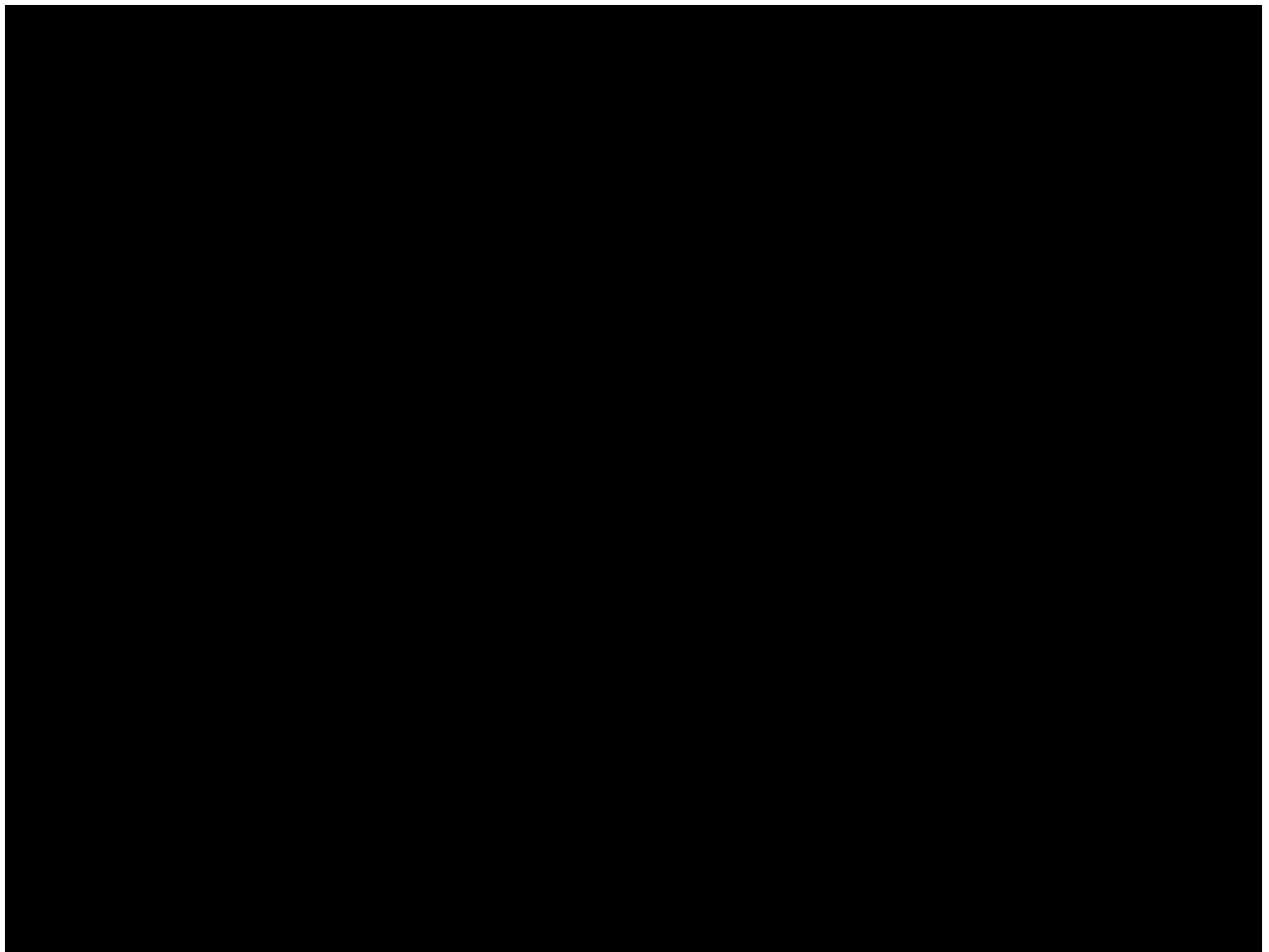
Civil Site Design
Construction Support
Transportation
Wastewater Collection

The Delaplain Disposal – Delaplain WWTP KY0079049
Kentucky
Engineering Memorandum
Date: September 11, 2020

Introduction



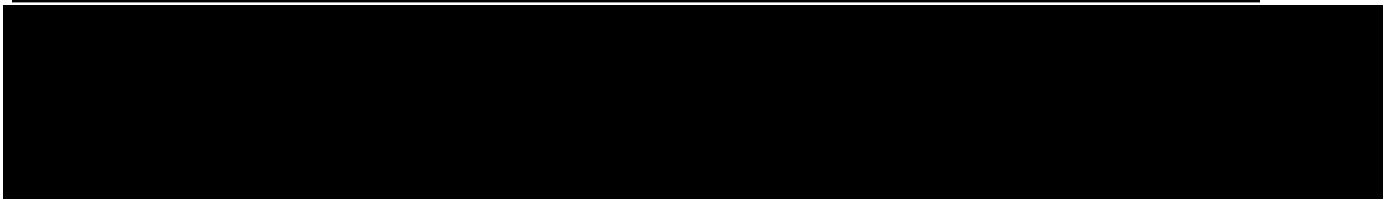
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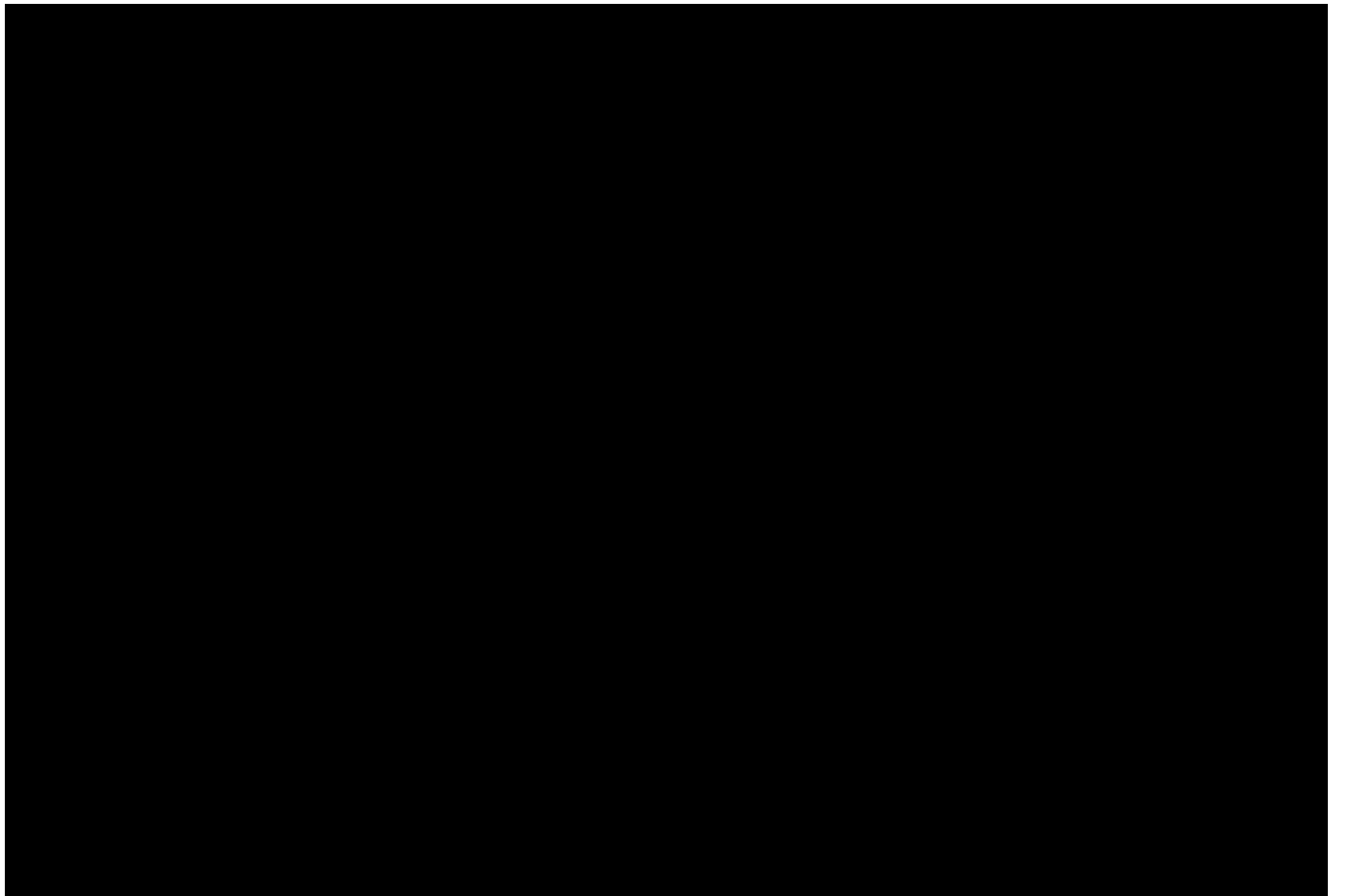
Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



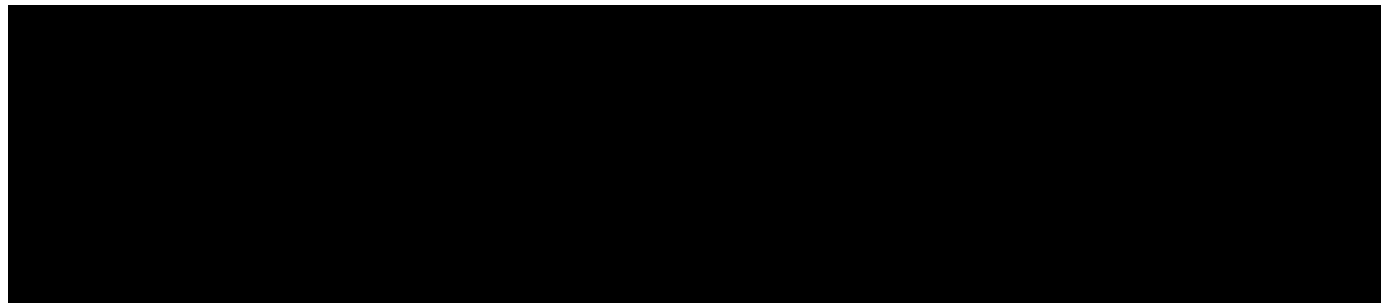
Civil Site Design
Construction Support
Transportation
Wastewater Collection



Permit Limitations and Historical Compliance Performance



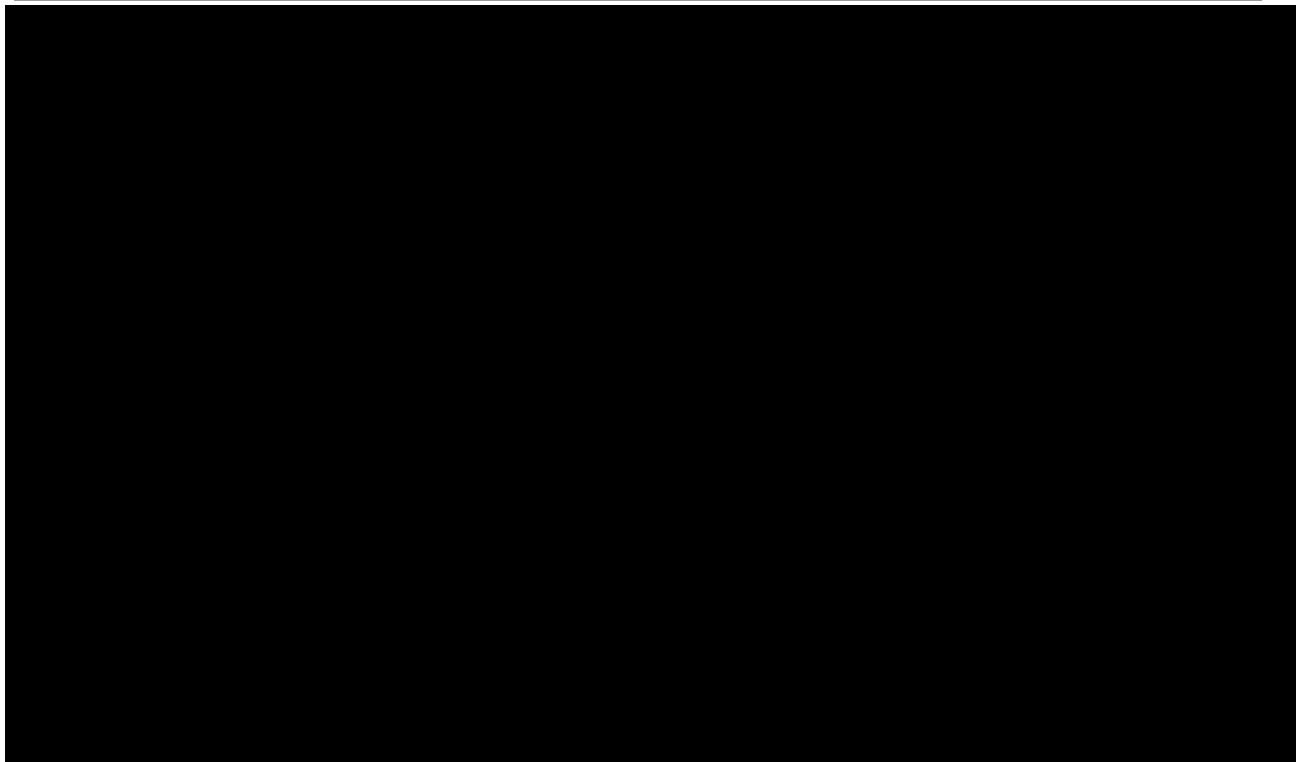
Wastewater Treatment Facility Existing Conditions



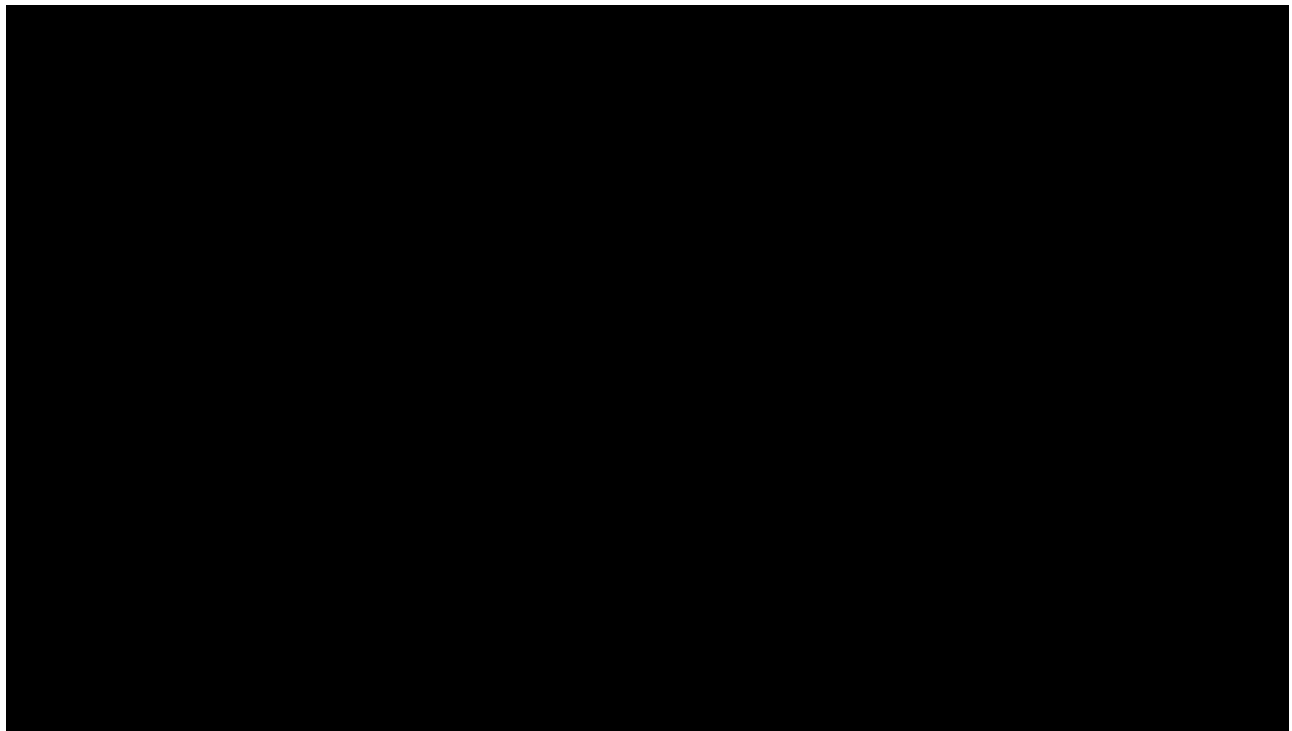
Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection



Functionality of the Existing System



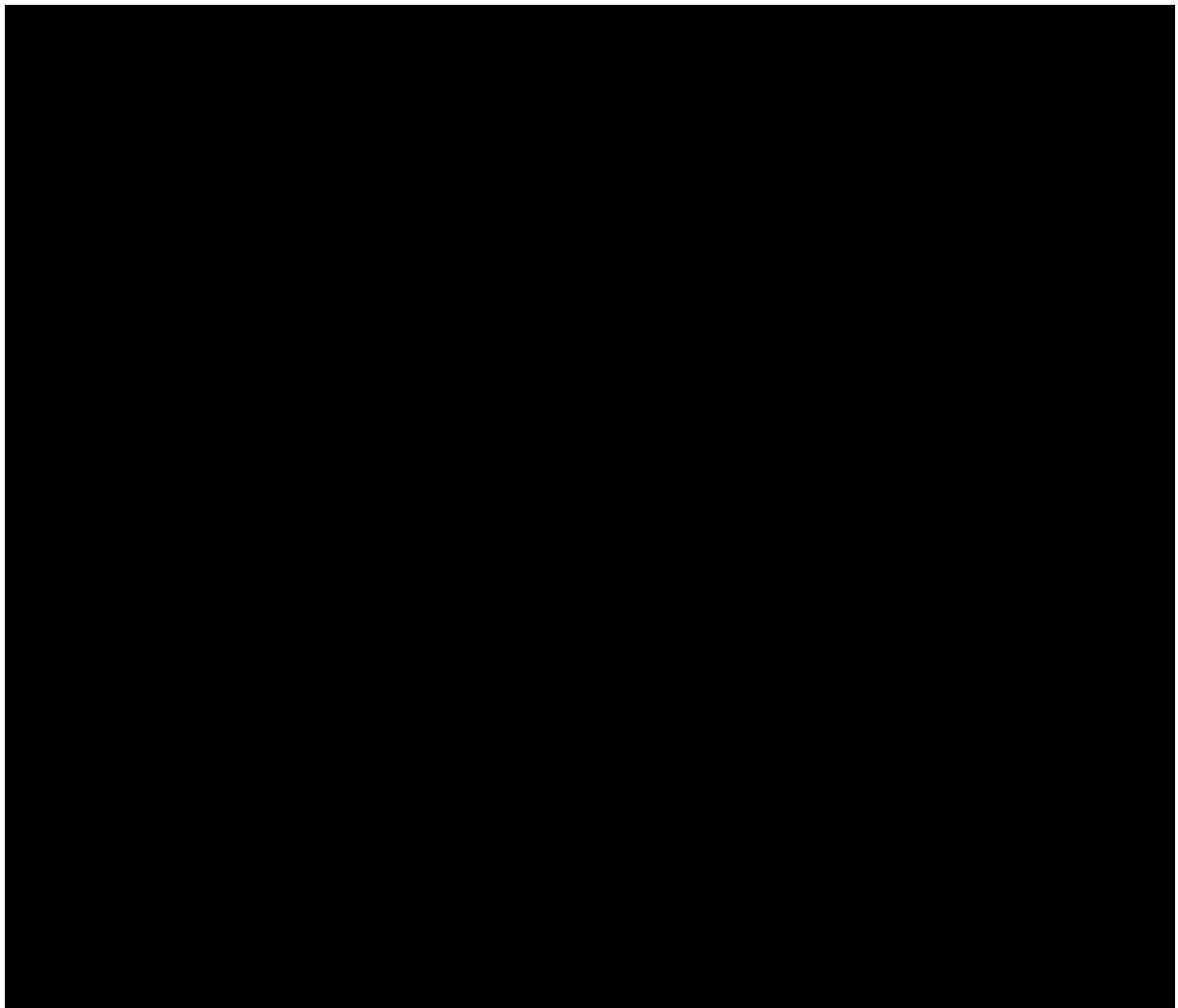
Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection



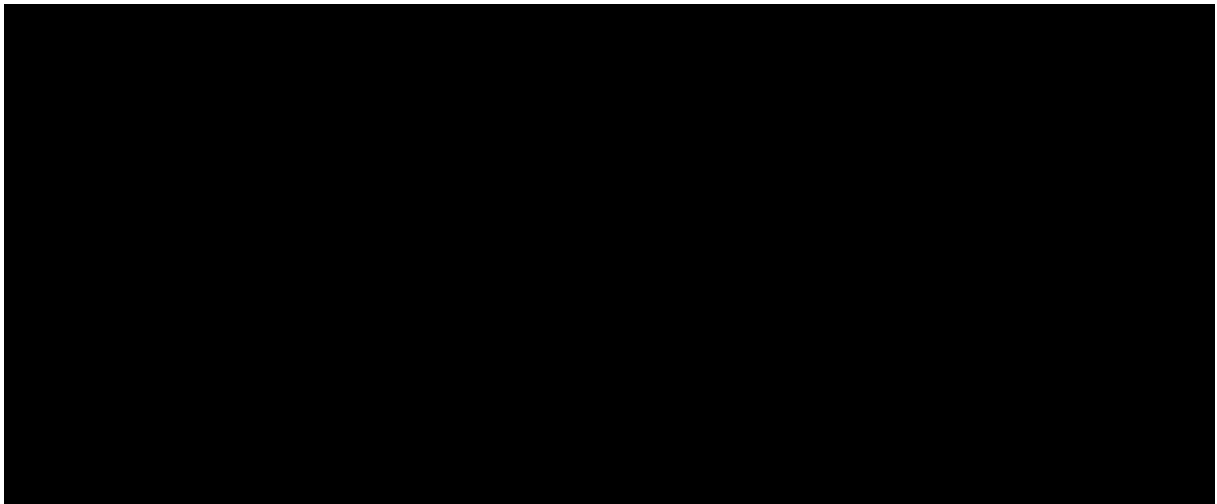
Wastewater Treatment Facility Recommended Improvements



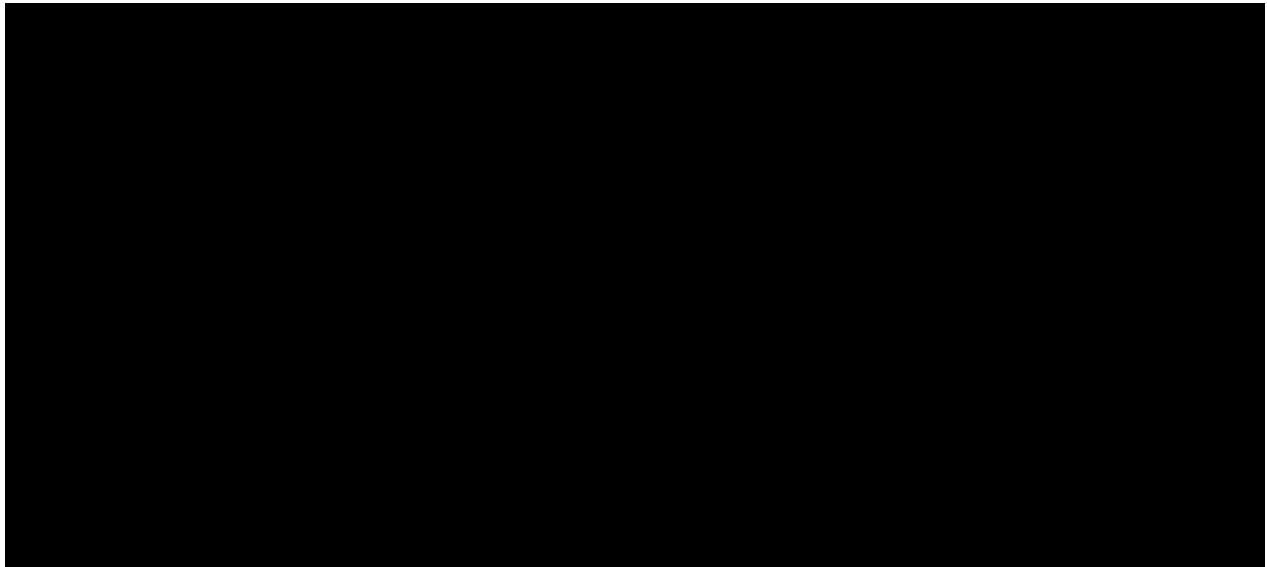
Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



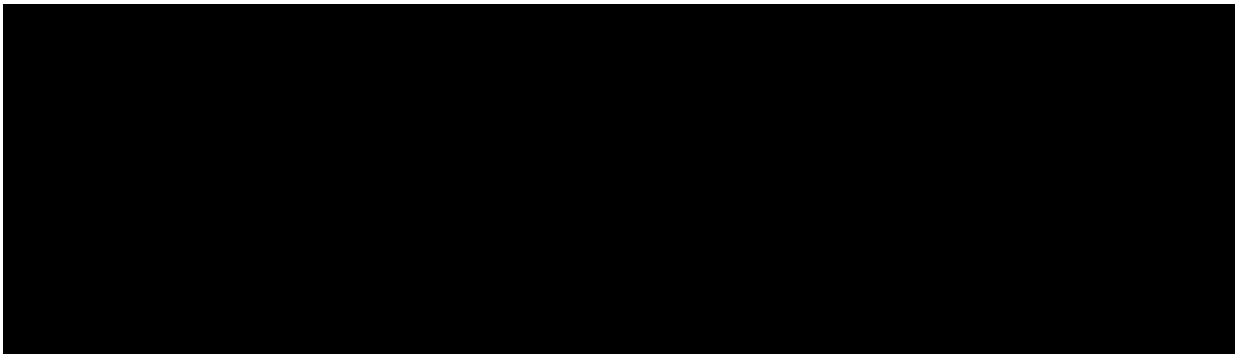
Civil Site Design
Construction Support
Transportation
Wastewater Collection



Wastewater Collection System Understanding



Wastewater Collection System Recommended Improvements

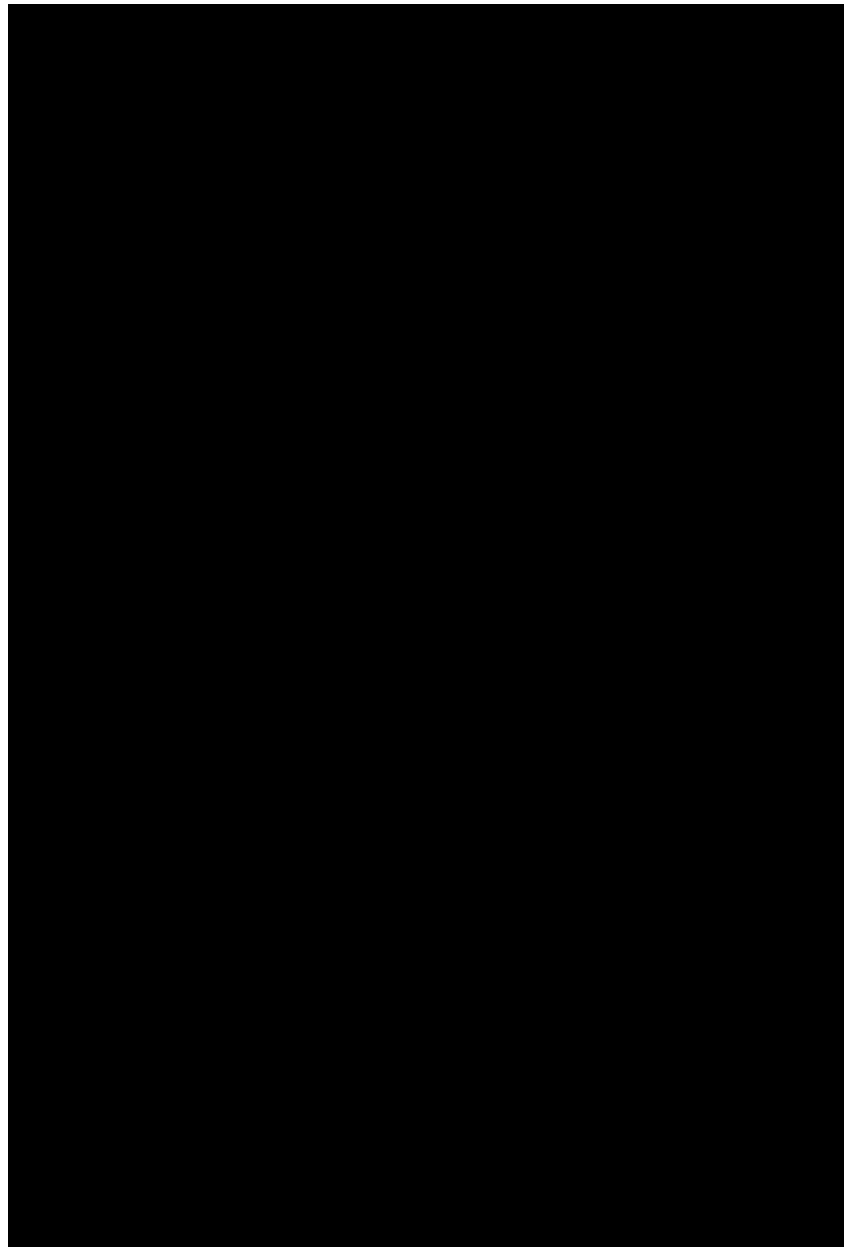


Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection

Total Project Cost Estimate

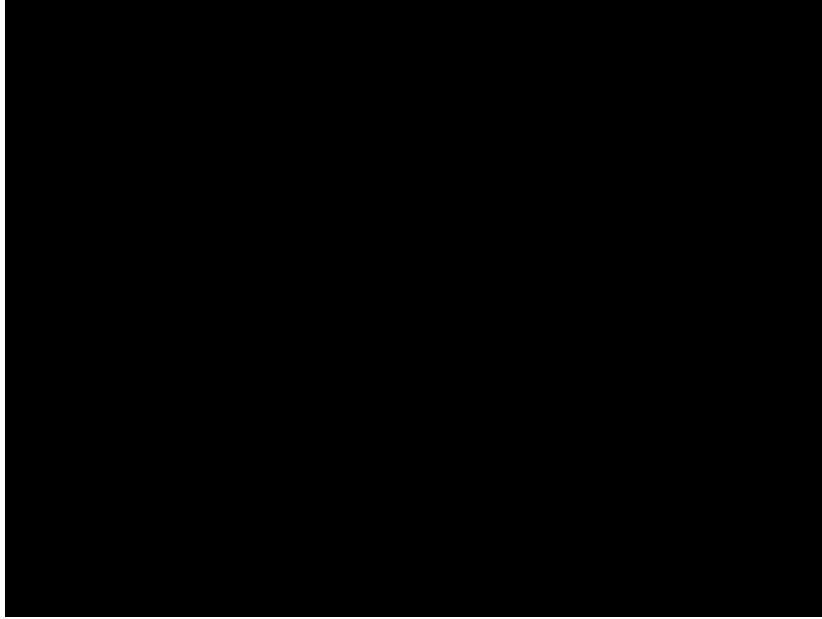


Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment

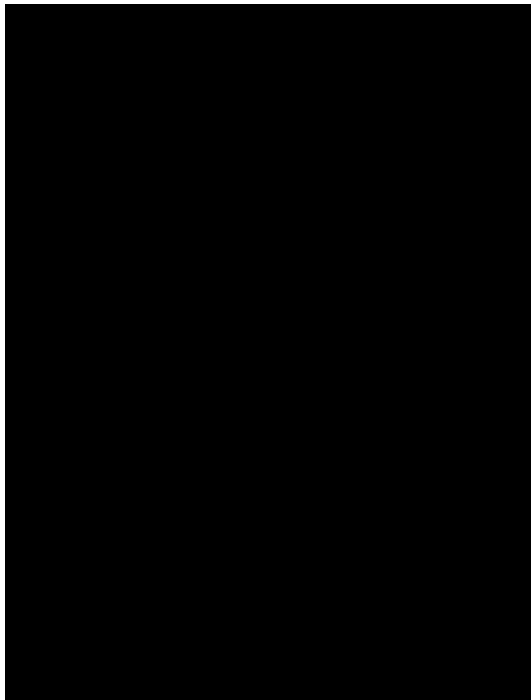


Civil Site Design
Construction Support
Transportation
Wastewater Collection

APPENDIX



Aeration Tank

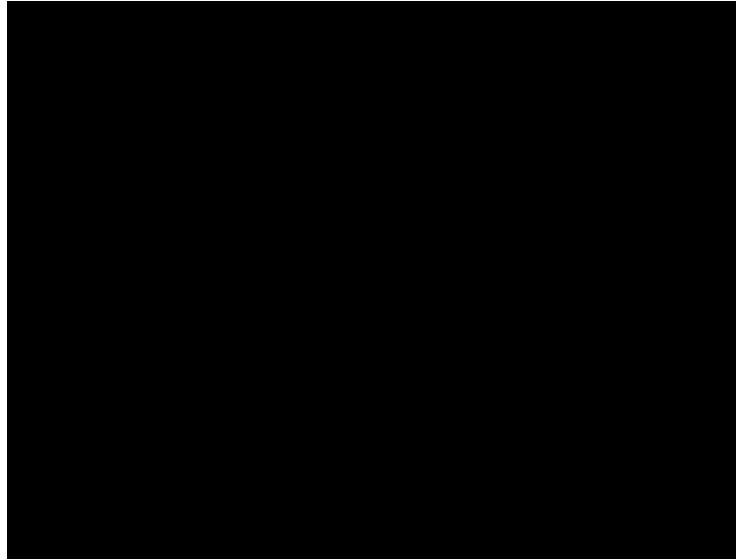


Circular Clarifier

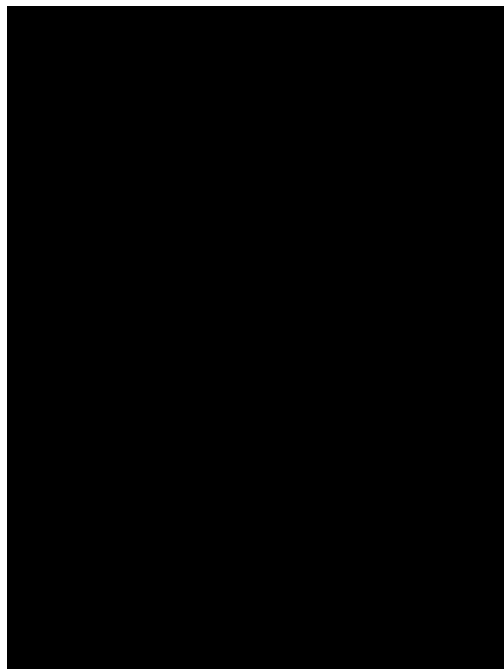
Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection



Bar Screen

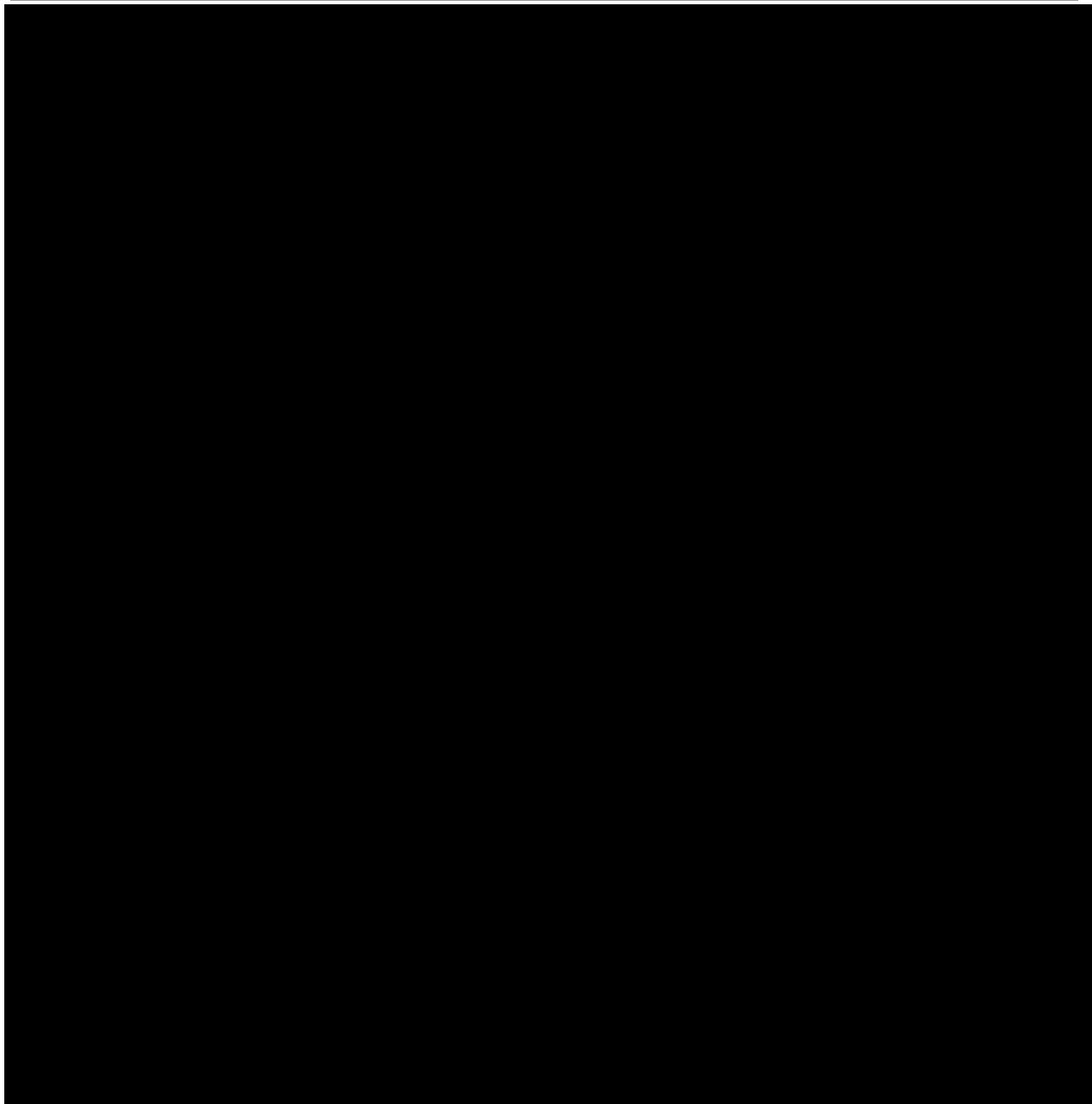


Gaseous Chlorine Storage

Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection



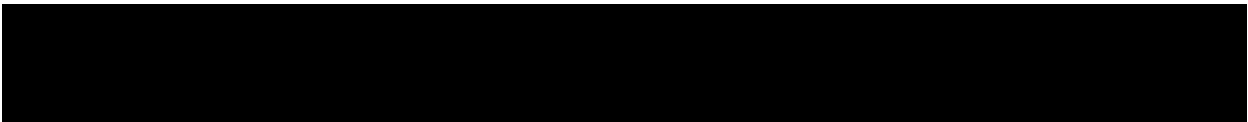
Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



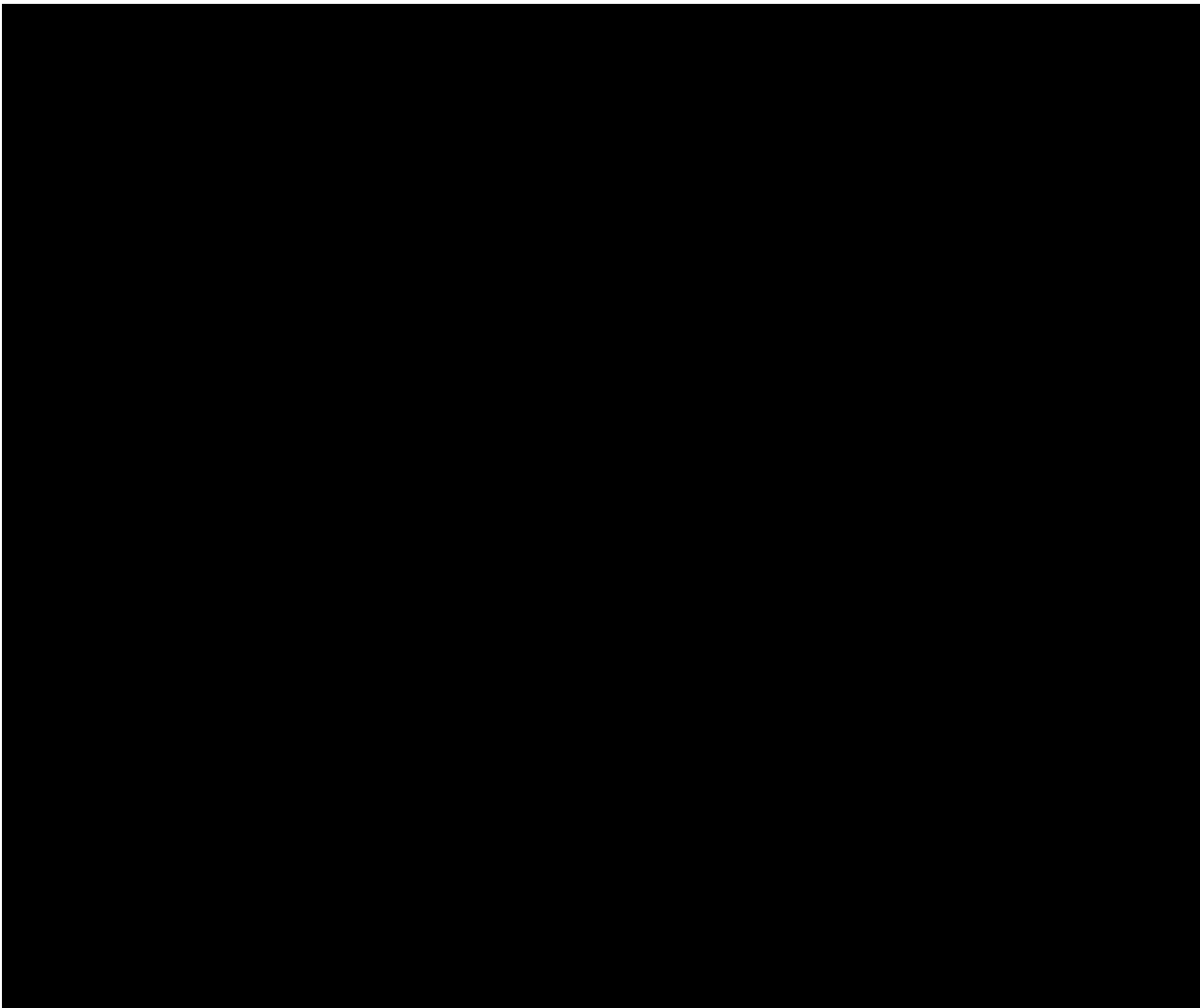
Civil Site Design
Construction Support
Transportation
Wastewater Collection

Herrington Haven Subdivision – Herrington Haven WWTP KY0053431
Kentucky
Engineering Memorandum
Date: September 11, 2020

Introduction



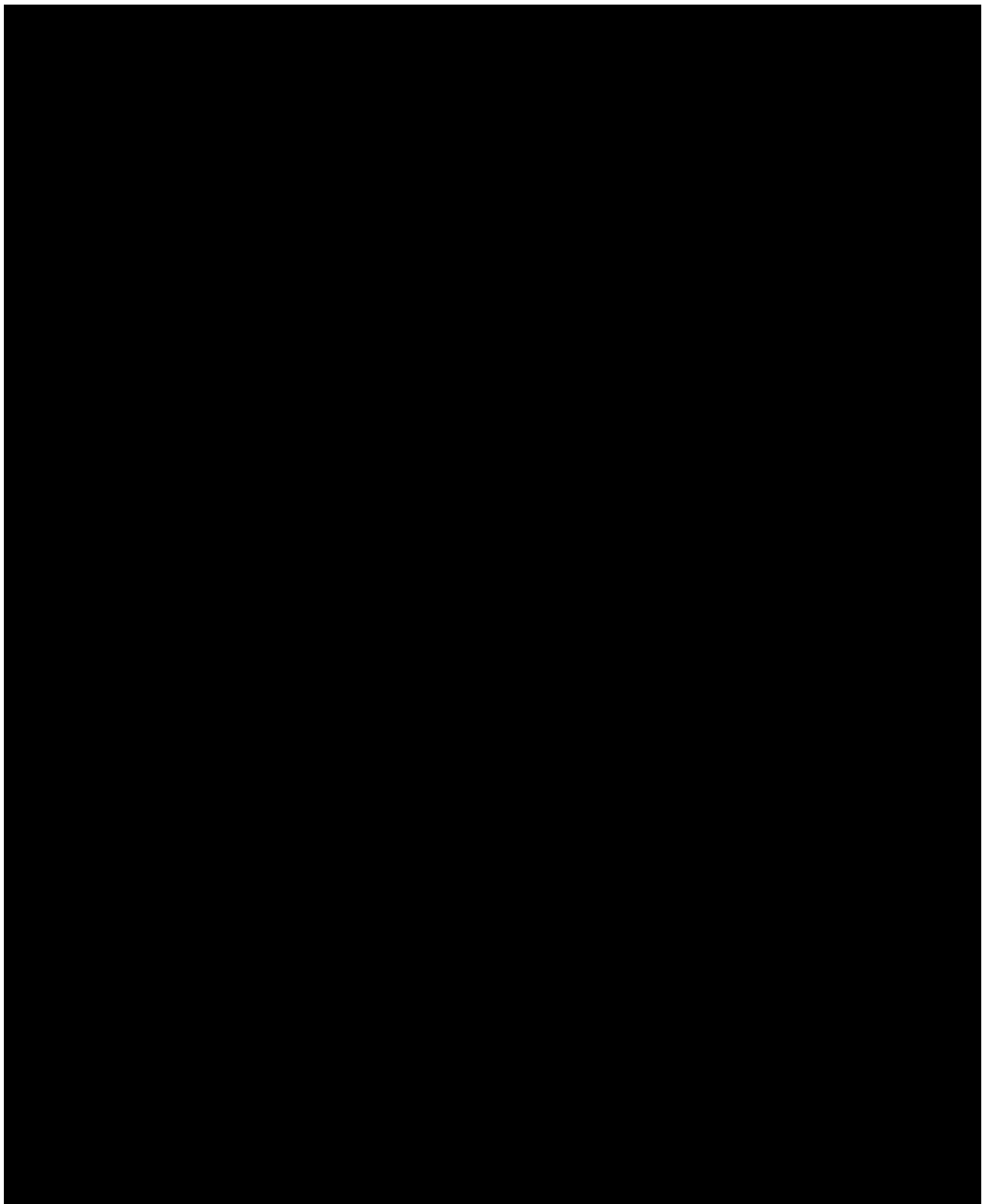
Wastewater Treatment Facility Existing Conditions



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



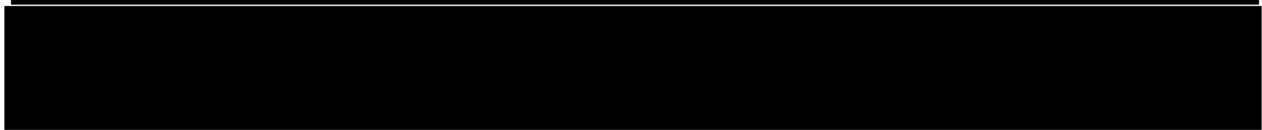
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Construction Support
Transportation
Wastewater Collection



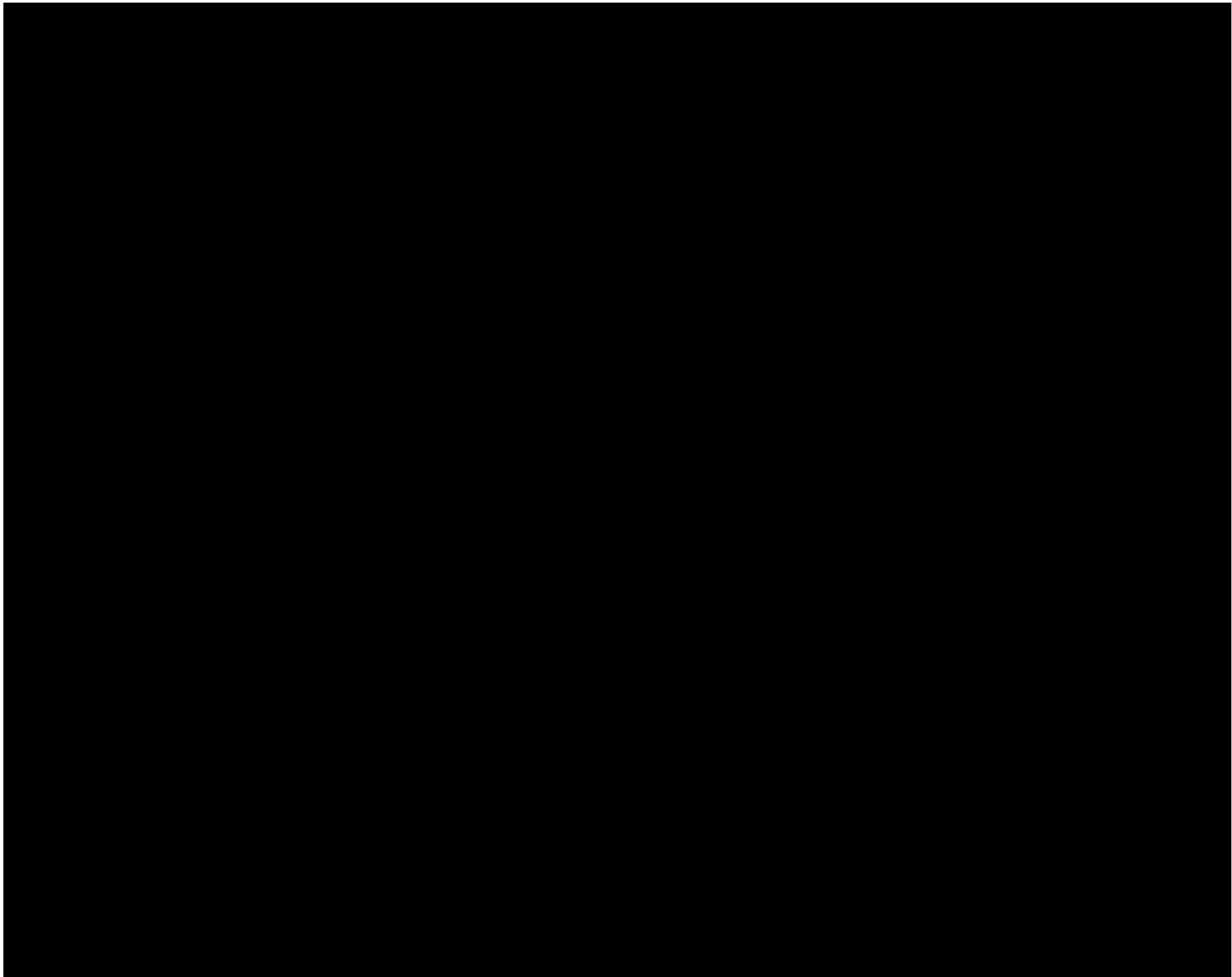
Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



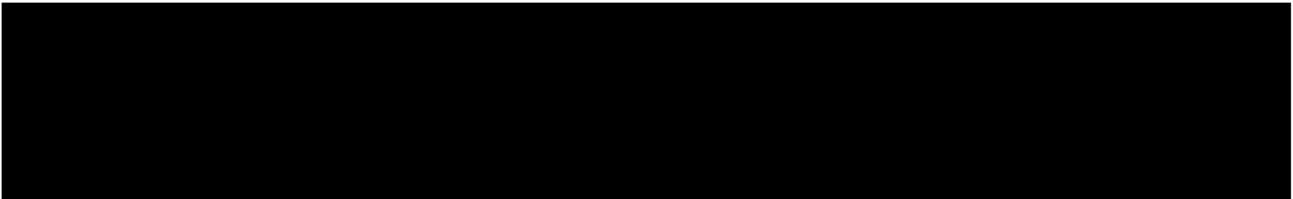
Civil Site Design
Construction Support
Transportation
Wastewater Collection



Wastewater Treatment Facility Recommended Improvements



Wastewater Collection System Understanding

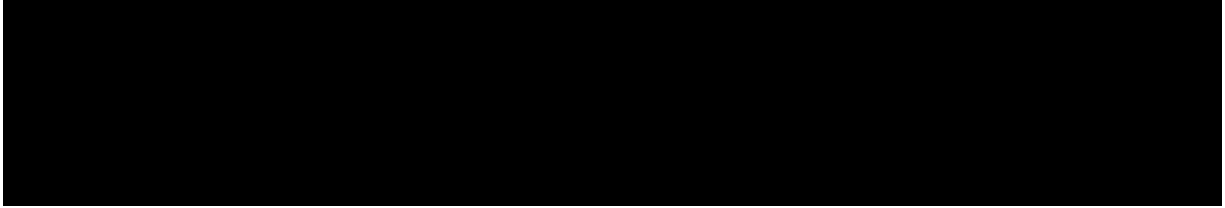


Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment

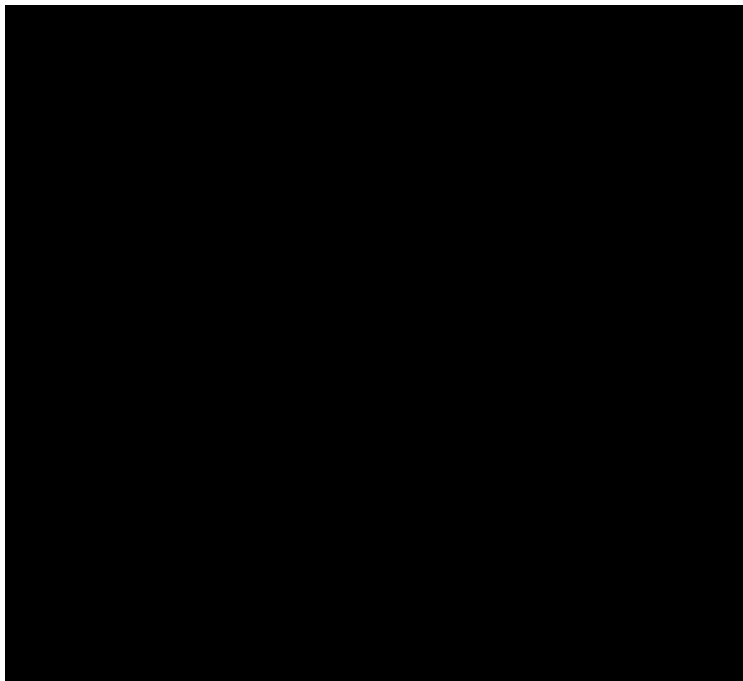


Civil Site Design
Construction Support
Transportation
Wastewater Collection

Wastewater Collection System Recommended Improvements



Total Project Cost Estimate

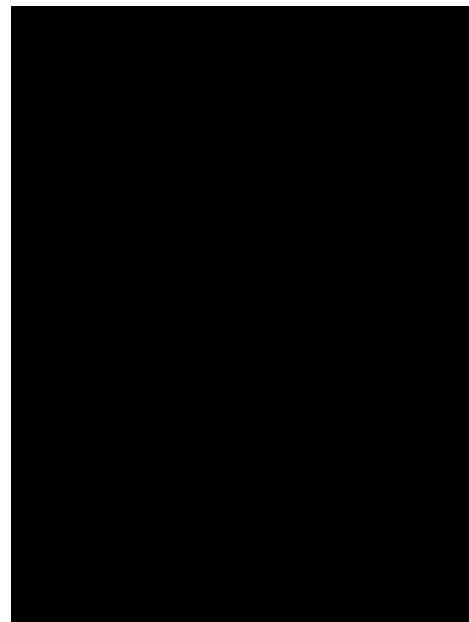
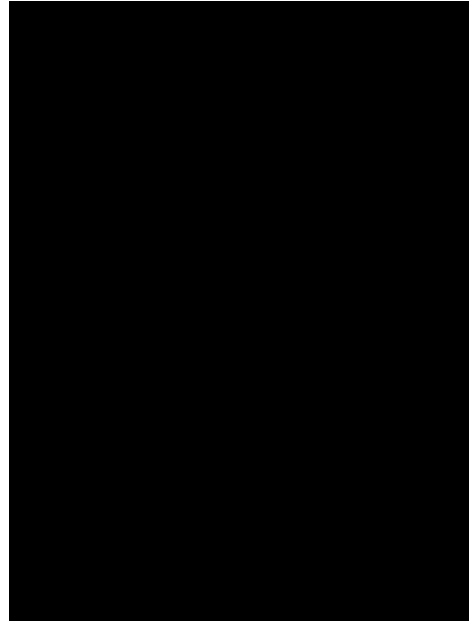


Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection

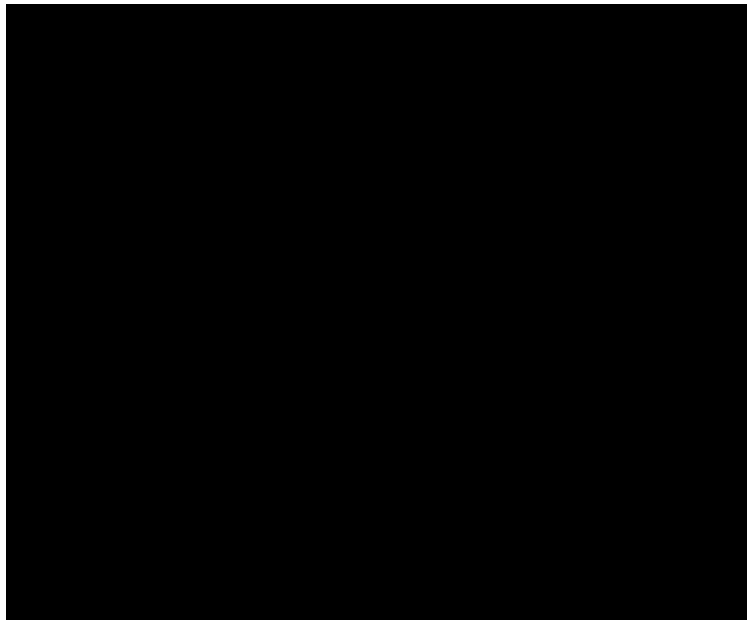
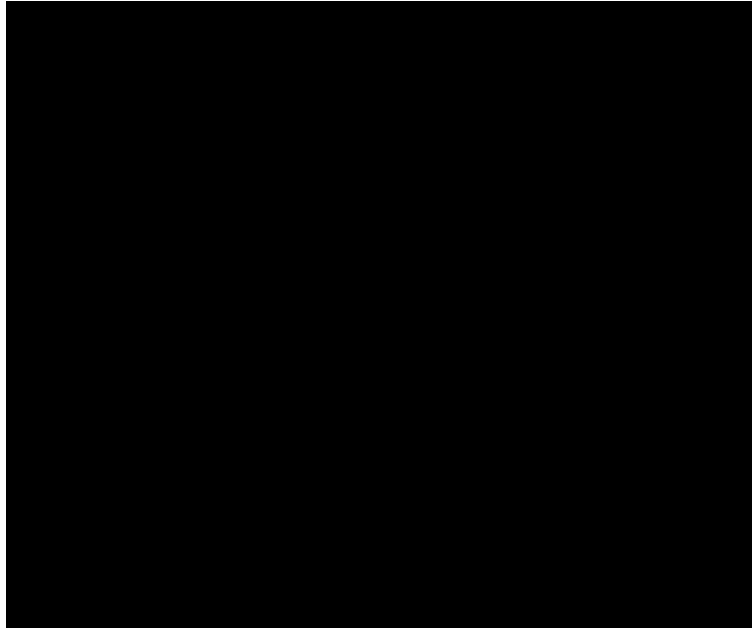
APPENDIX



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection

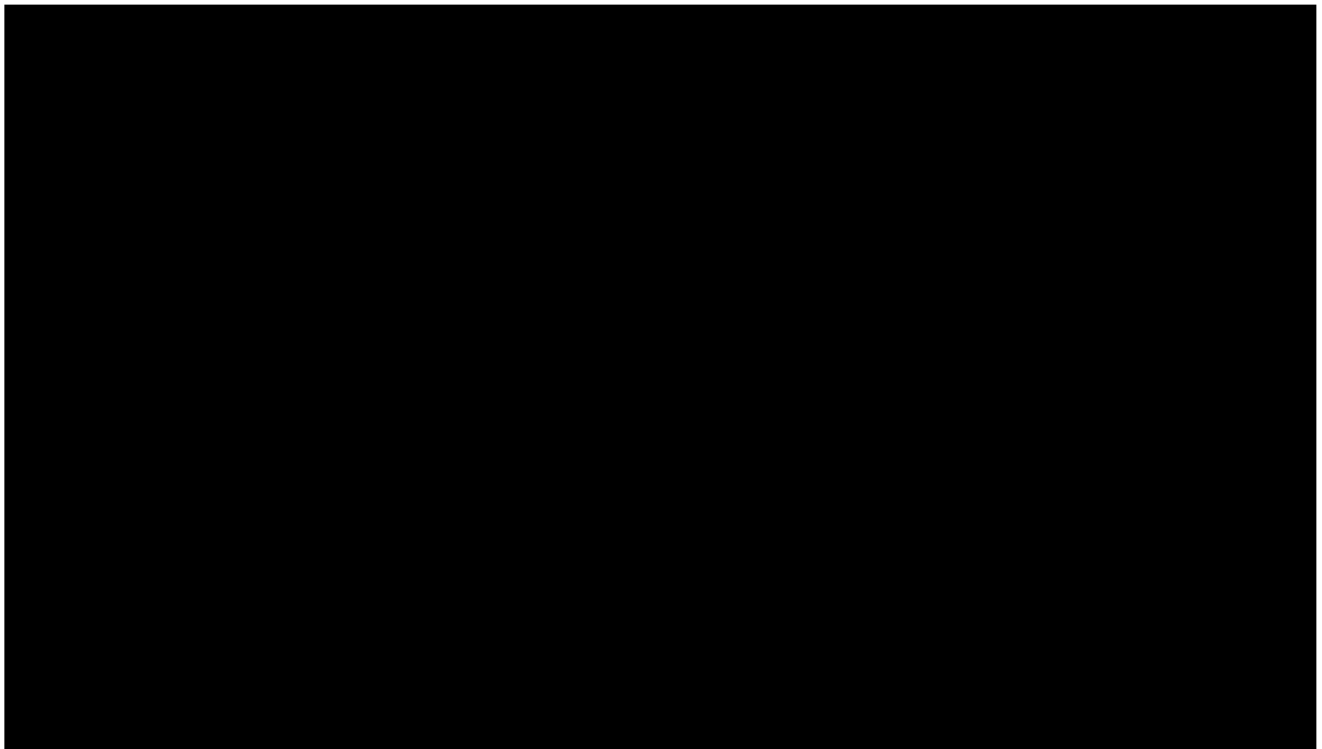
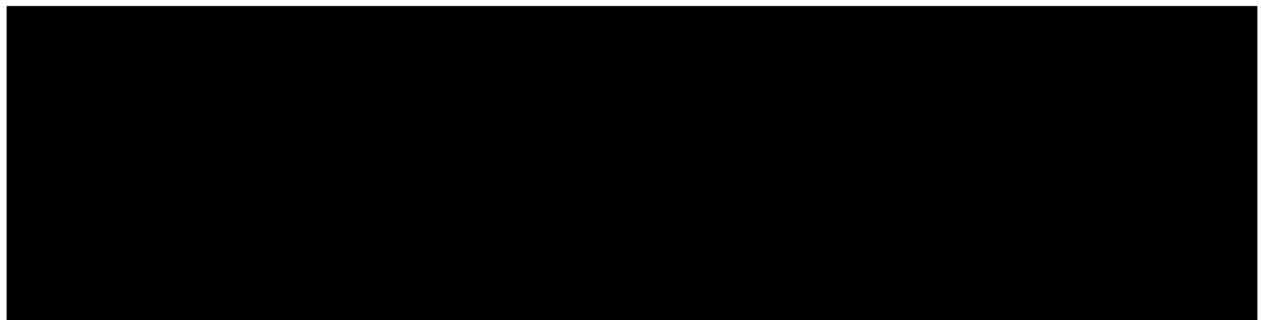
Springcrest Sewer – Springcrest Wastewater Disposal System

Kentucky

Engineering Memorandum

Date: September 11, 2020

Introduction

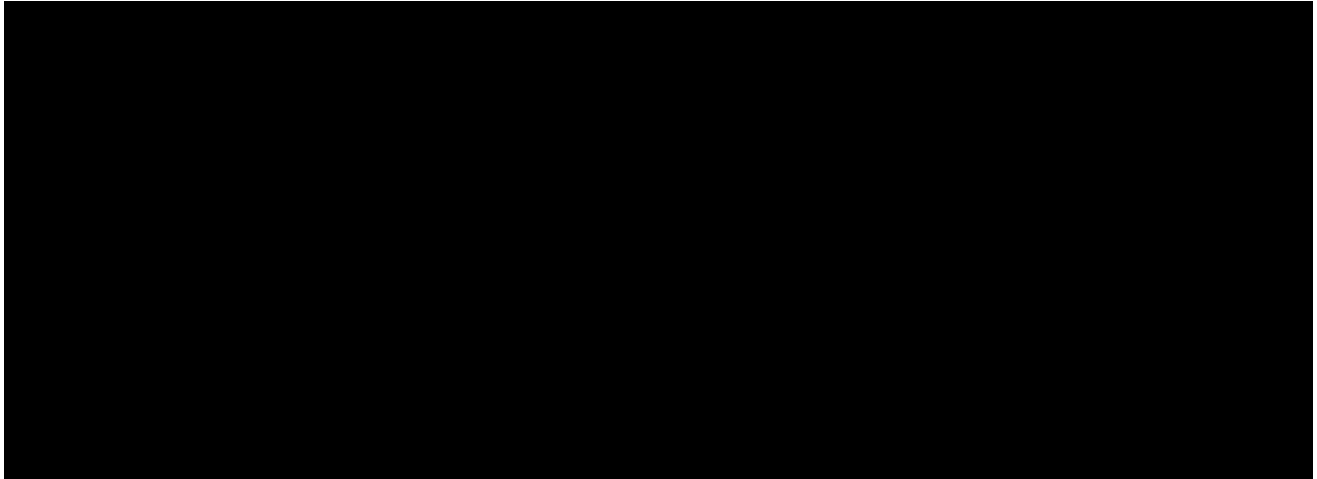


Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment

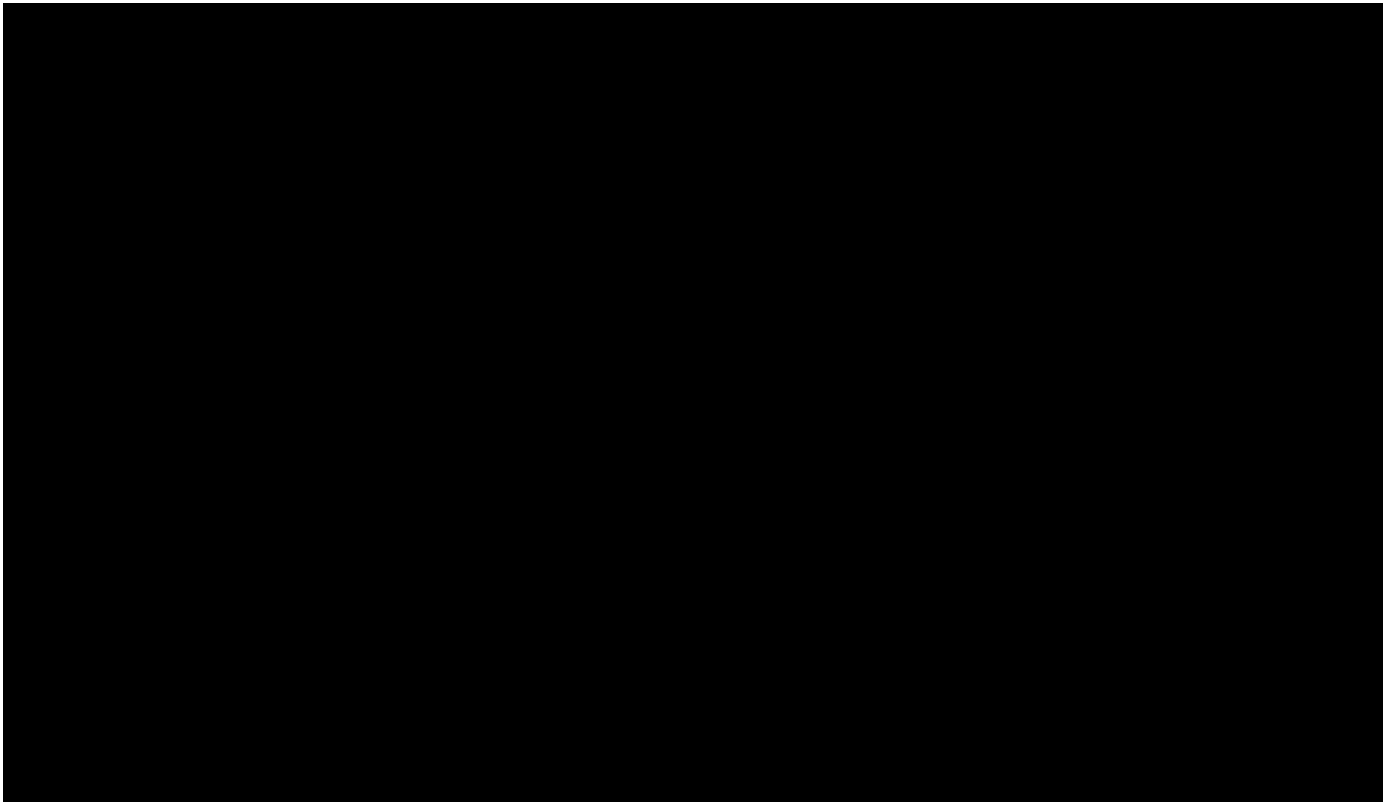


Civil Site Design
Construction Support
Transportation
Wastewater Collection

Wastewater Treatment



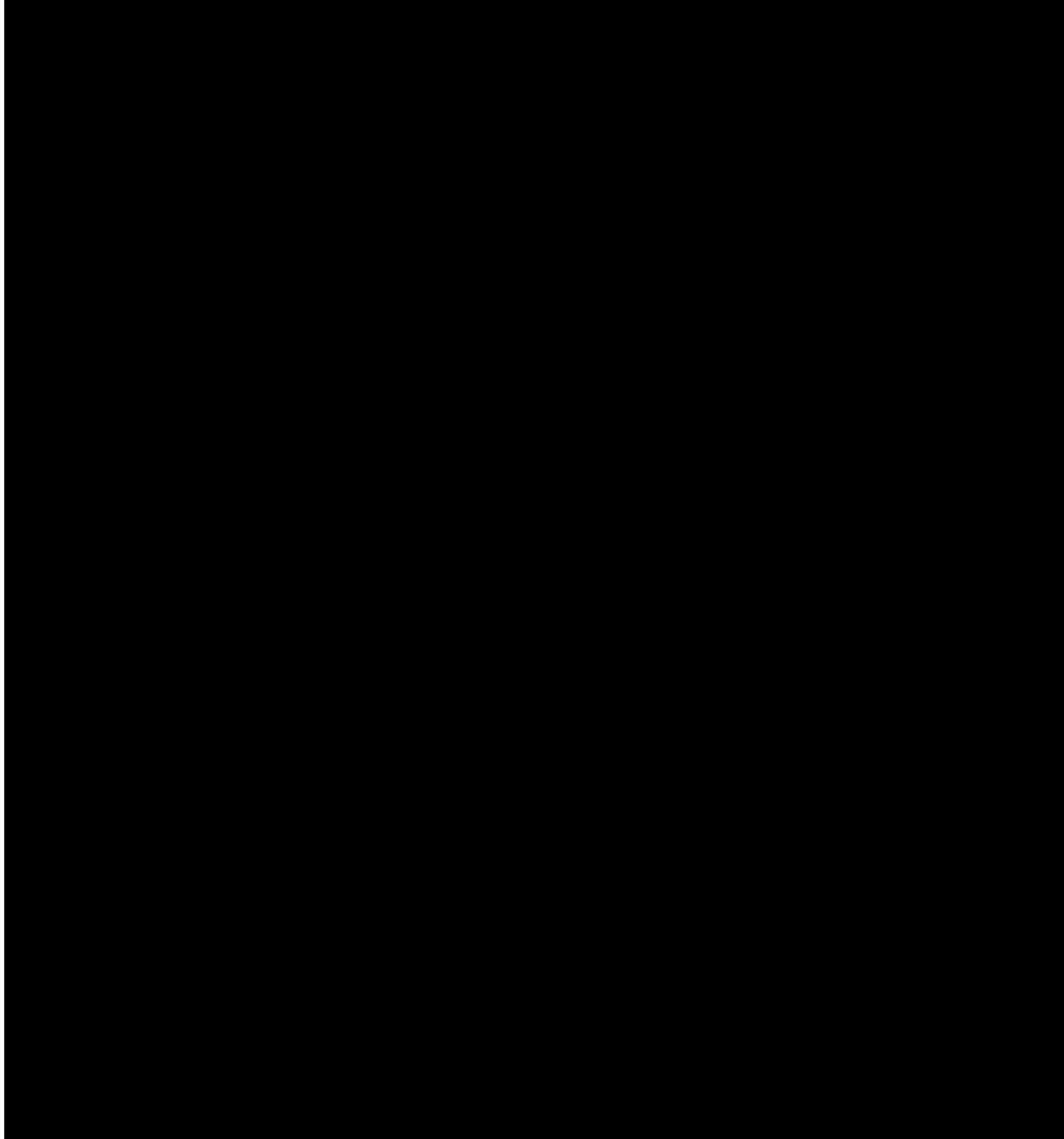
Wastewater Irrigation Disposal System



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection

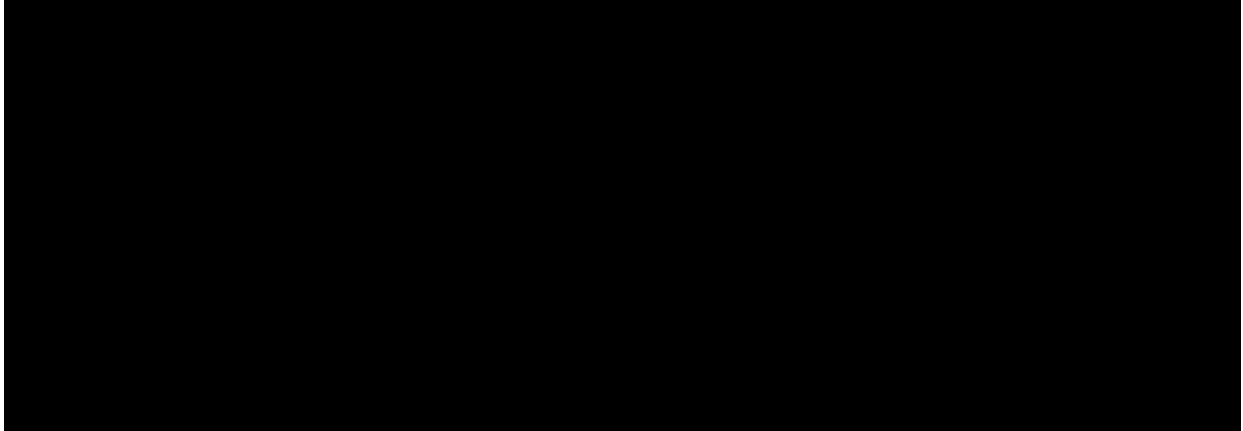


Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment

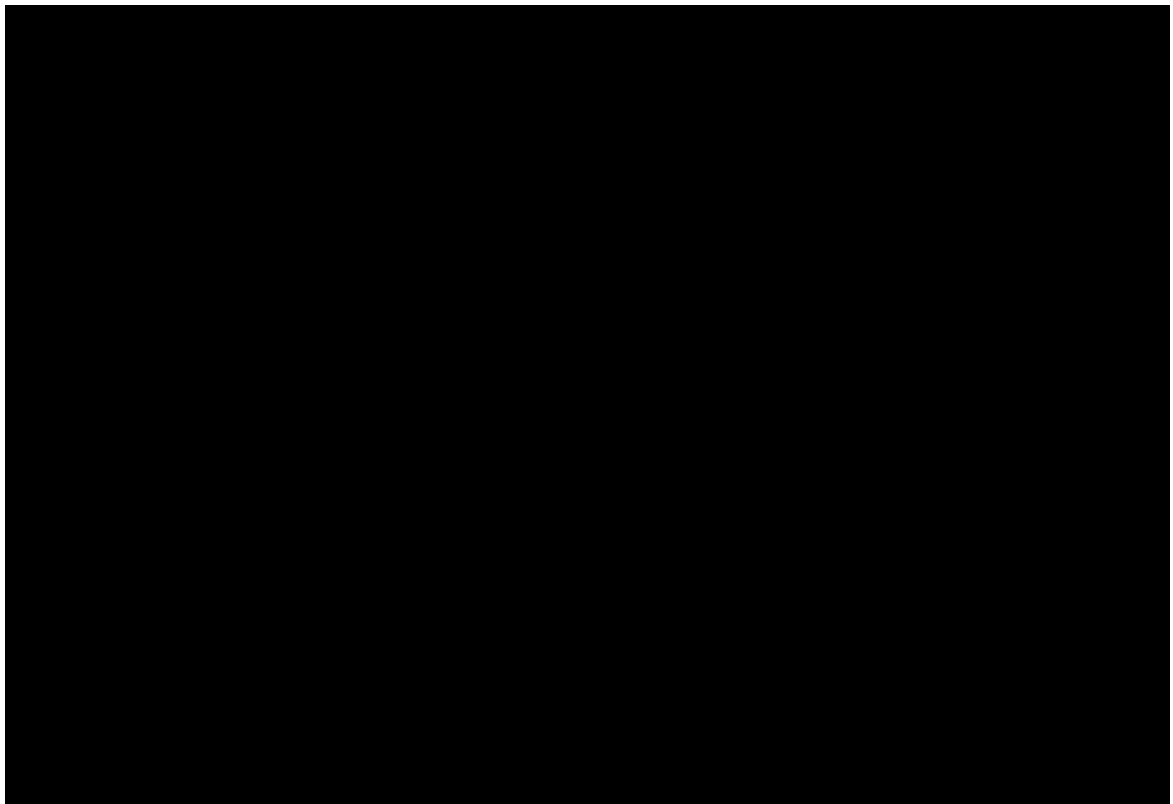


Civil Site Design
Construction Support
Transportation
Wastewater Collection

Wastewater Collection System Recommended Improvements



Total Project Cost Estimate

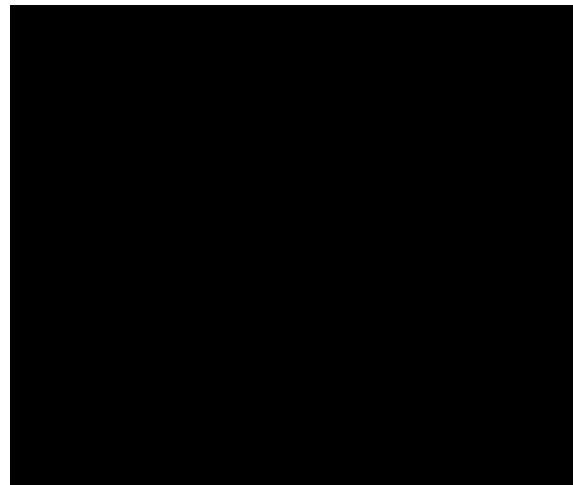


Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection

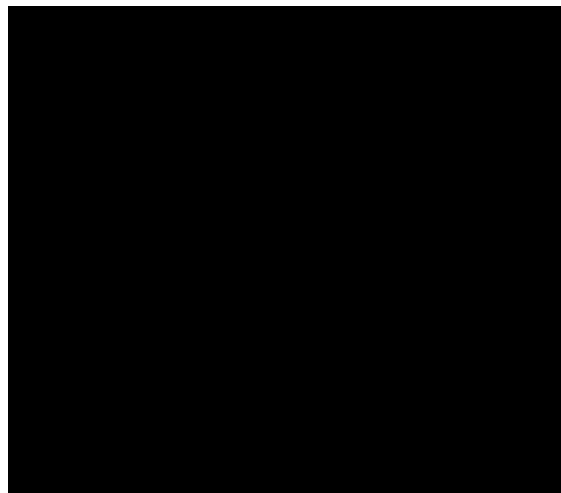
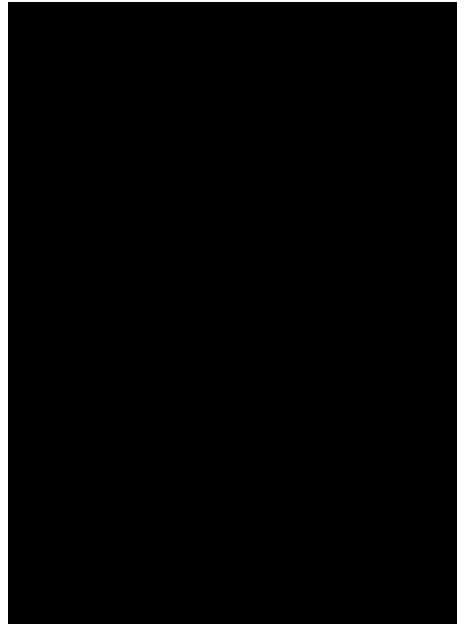
APPENDIX



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



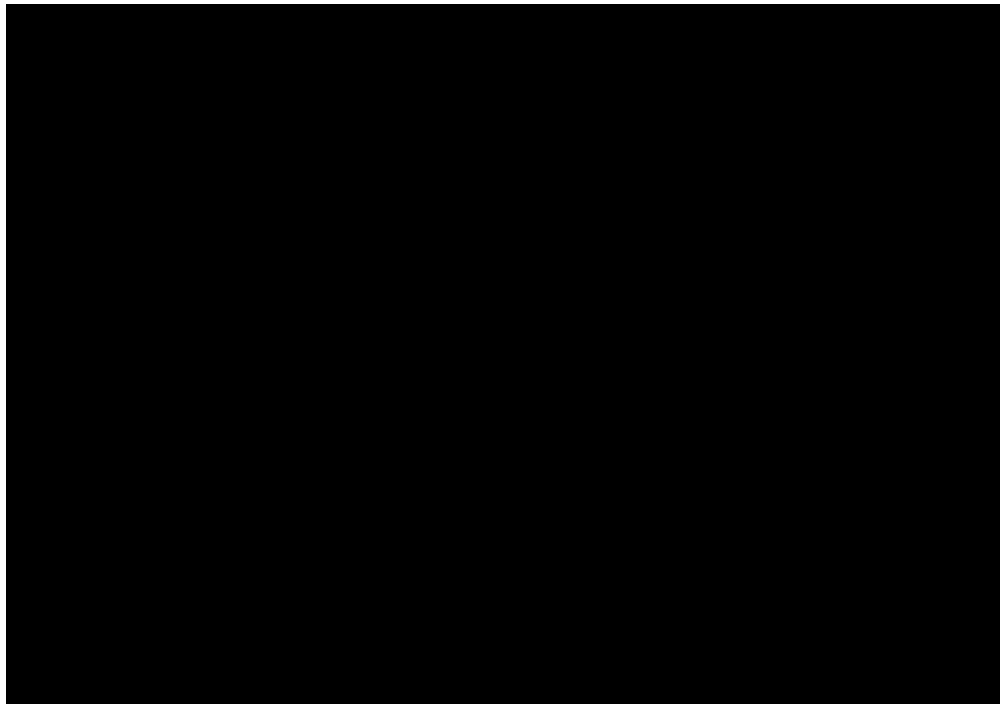
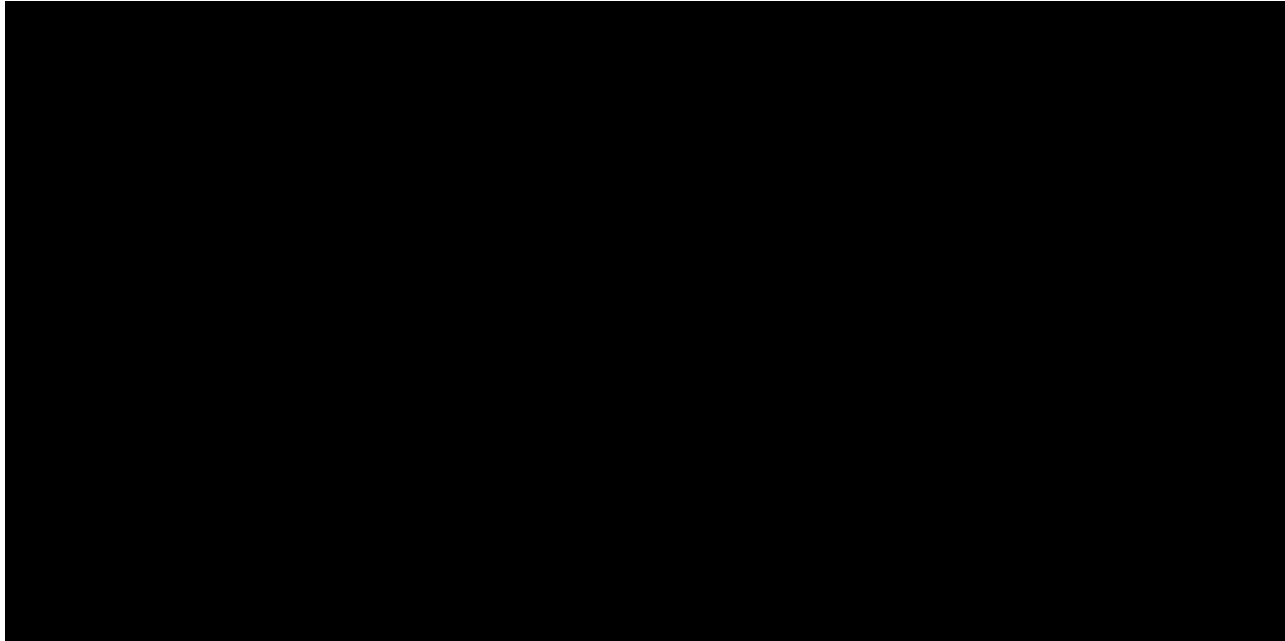
Civil Site Design
Construction Support
Transportation
Wastewater Collection



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



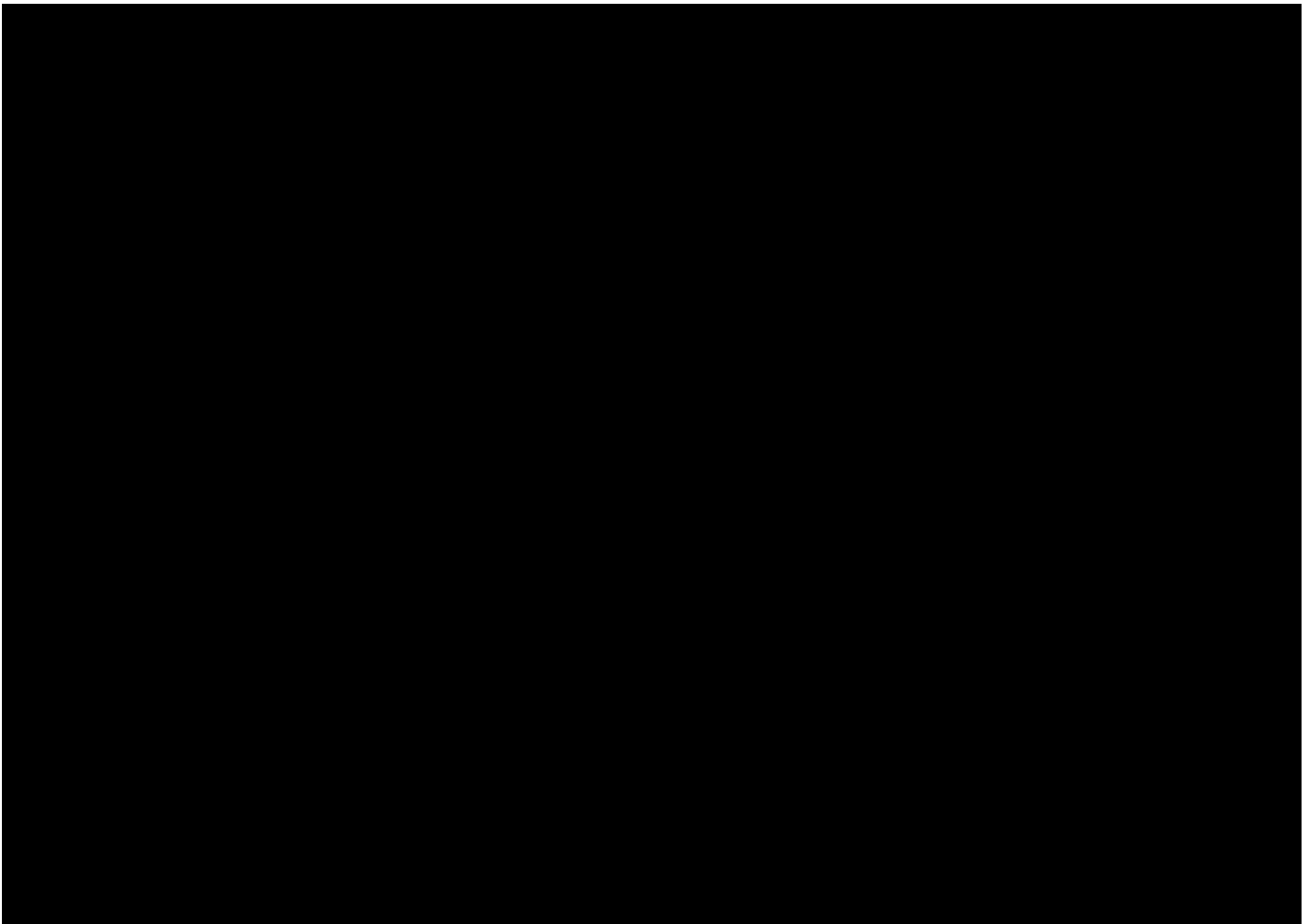
Civil Site Design
Construction Support
Transportation
Wastewater Collection

Woodland Acres – Woodland Acres WWTP KY0096100
Kentucky
Engineering Memorandum
Date: September 11, 2020

Introduction



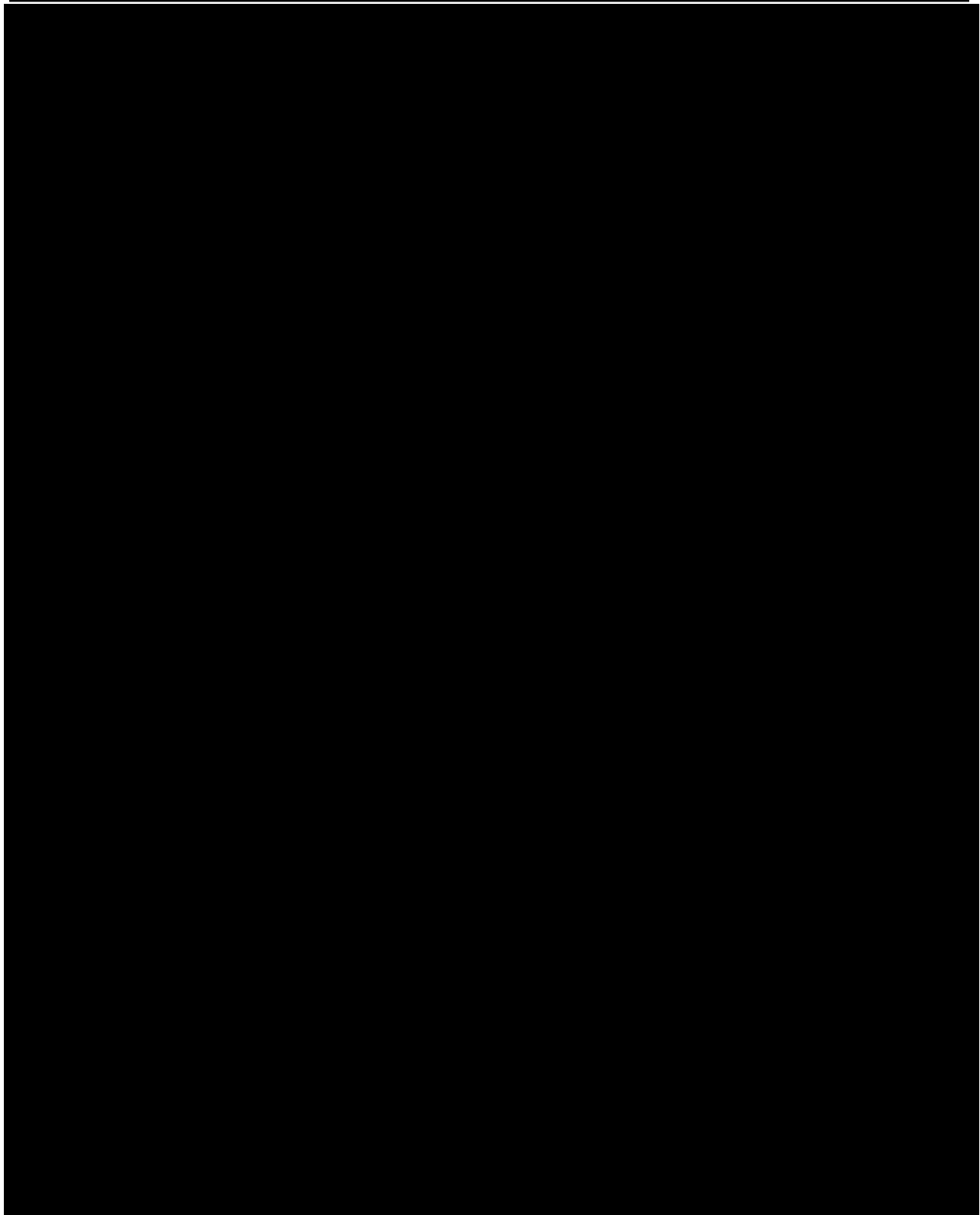
Wastewater Treatment Facility Existing Conditions



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



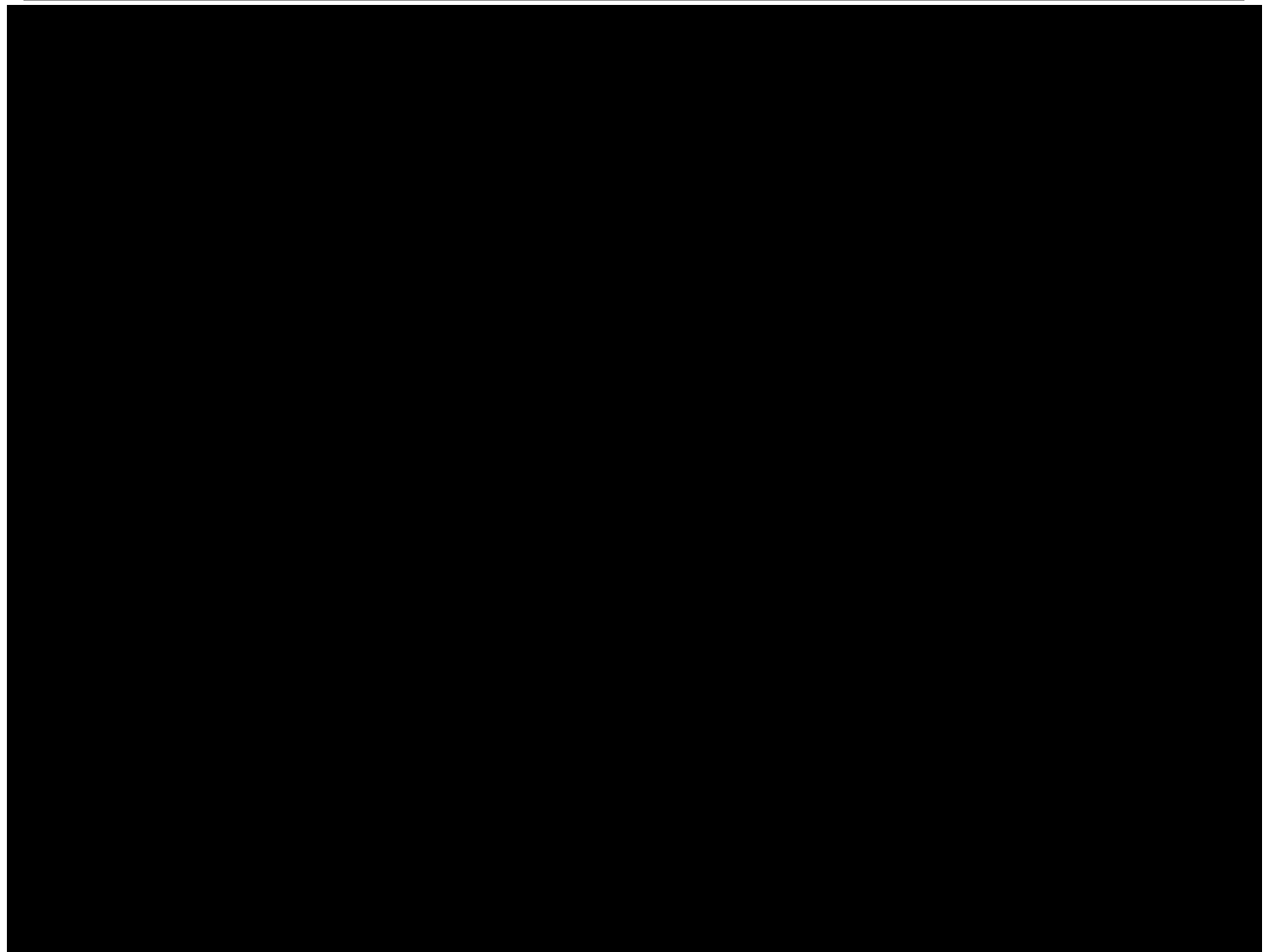
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Construction Support
Transportation
Wastewater Collection



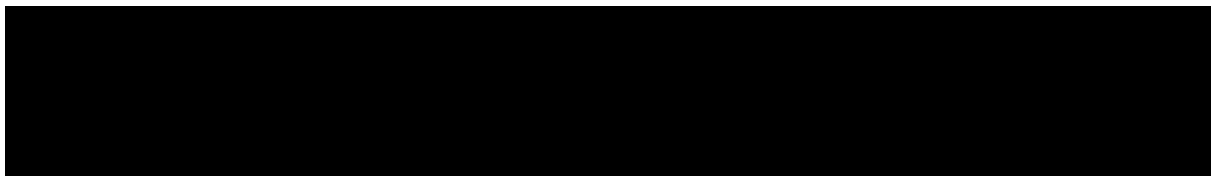
Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



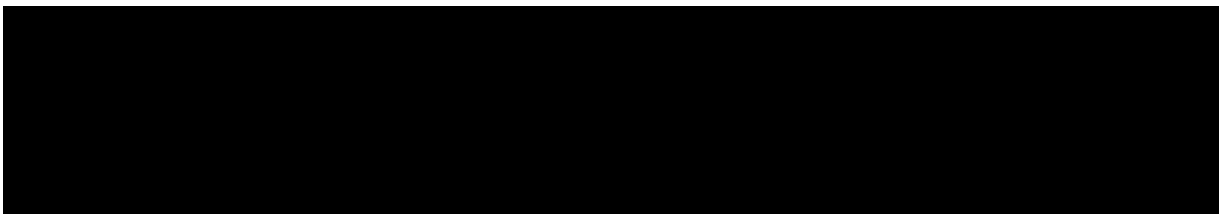
Civil Site Design
Construction Support
Transportation
Wastewater Collection



Wastewater Collection System Understanding



Wastewater Collection System Recommended Improvements

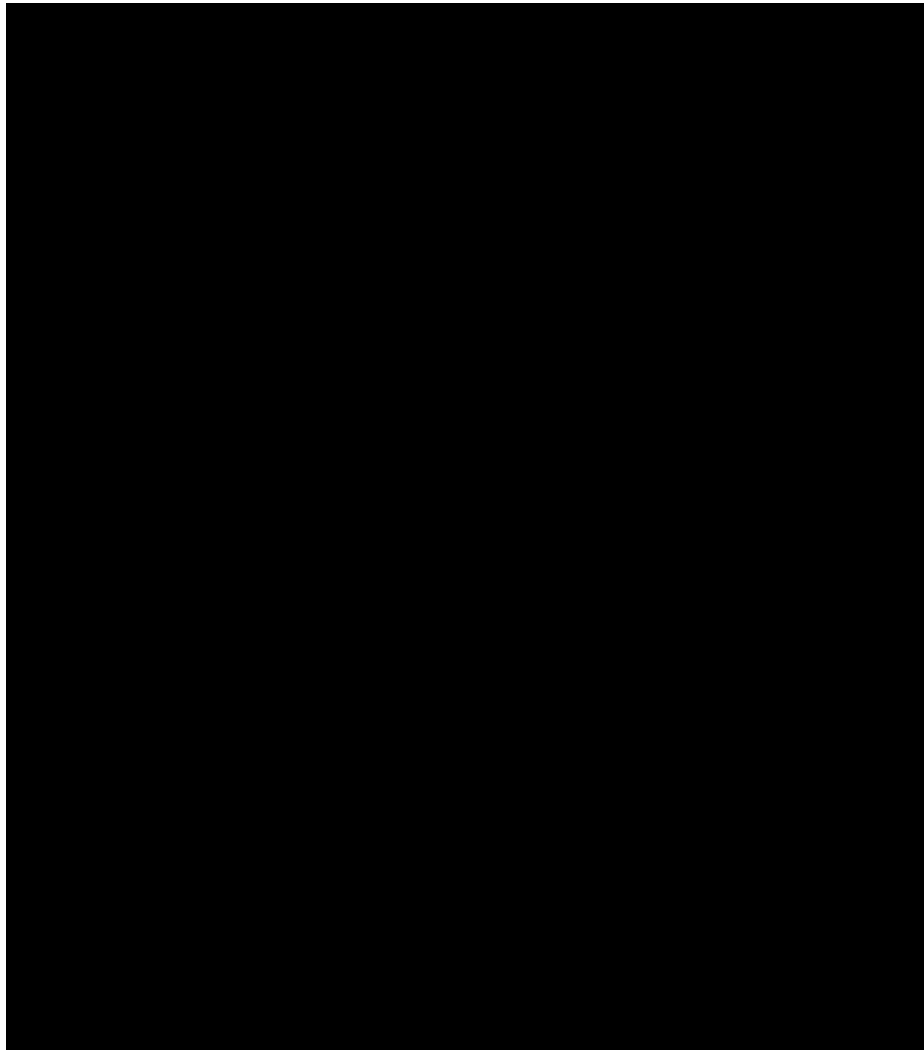


Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection

Total Project Cost Estimate

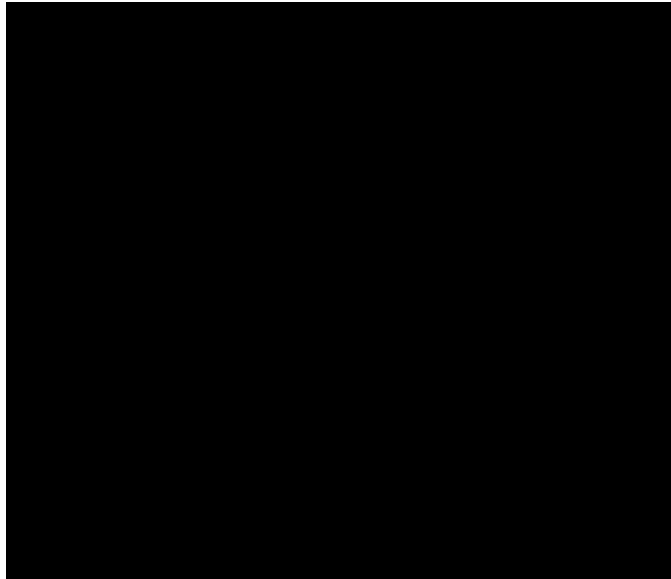


Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection

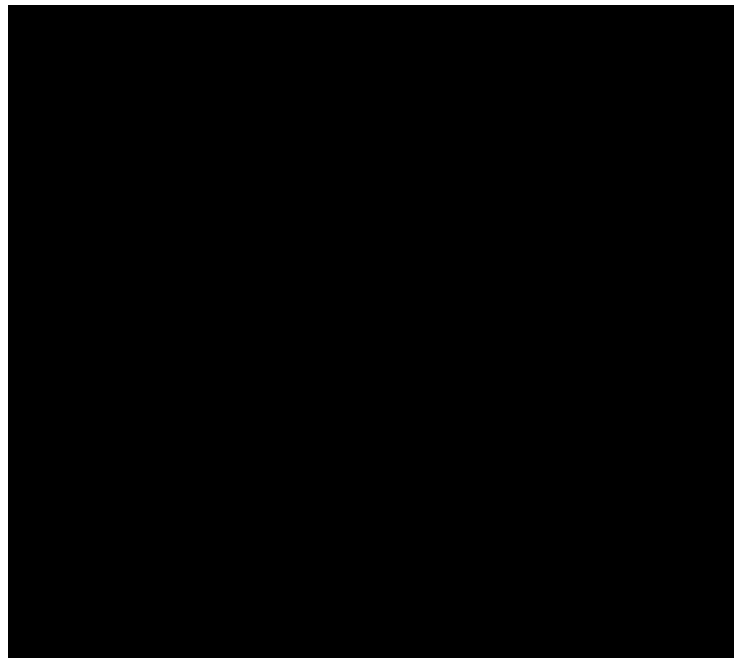
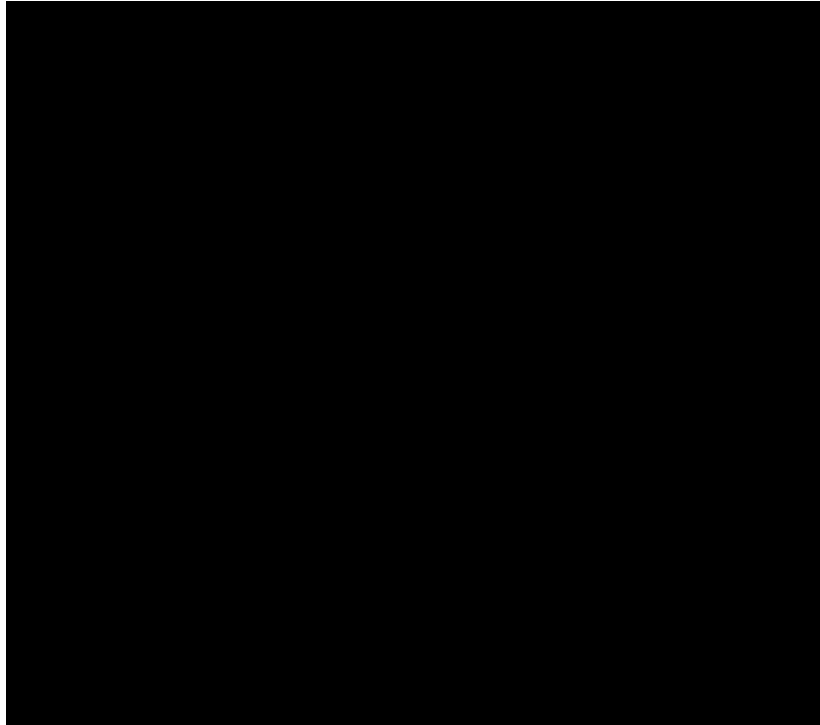
APPENDIX



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



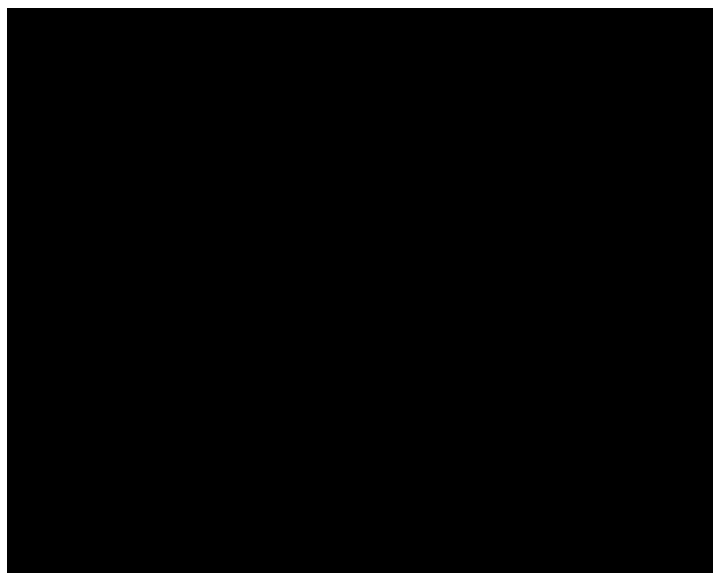
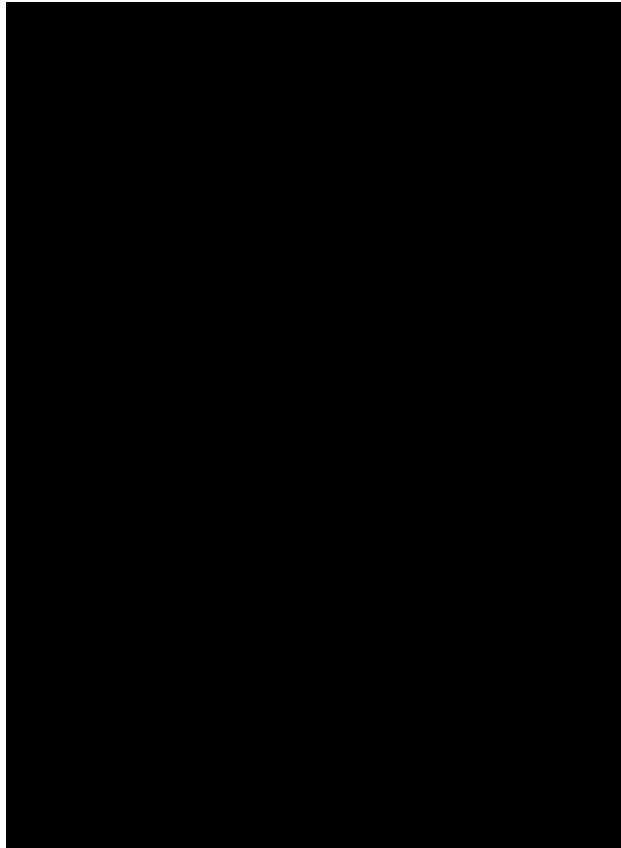
Civil Site Design
Construction Support
Transportation
Wastewater Collection



Civil Engineering
Surveying & Mapping
Potable Water
Wastewater Treatment



Civil Site Design
Construction Support
Transportation
Wastewater Collection



PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("*Agreement*") is made as of the 23rd day of August, 2019 by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its assigns ("*Buyer*"), and DELAPLAIN DISPOSAL COMPANY, a Kentucky corporation qualified and registered to transact business in the Commonwealth of Kentucky ("*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 Scott County, Kentucky (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 [REDACTED] 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 Twenty (120) 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. In addition, Buyer shall coordinate all such inspections with the Seller for the inspections to result in the least amount of interference with the Seller's current and normal operations as possible.

(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 Commonwealth of Kentucky, is qualified to conduct business in the Commonwealth of Kentucky 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 (conditioned upon such escrow fee being reasonable and customary within the market), 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 Kentucky 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:

Dona Ray, President
Delaplain Disposal Company
1029 Monarch St., Ste. 250
Lexington, KY 40513
Phone: (859) 223-0425
Facsimile: _____
E-Mail: dray@rayconsultantsllc.com

with a copy to:

Bernard Lovely
Gess Mattingly & Atchison, P.S.C.
201 West Short Street, Suite 102
Lexington, KY 40507
Phone: 859-252-9000
Facsimile: 859-233-4269
E-Mail: _____

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

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. EXHIBITS E, F, G and H will be completed by Seller and provided to Buyer within ninety (90) days of the Effective Date.

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 Scott county, Kentucky 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.

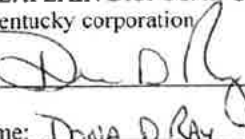
BUYER:

Central States Water Resources, Inc.,
a Missouri corporation

By: 
144D2DD144084DC
Josiah M. Cox, President

SELLER:

DELAPLAIN DISPOSAL COMPANY,
a Kentucky corporation

By: 
Name: DORA D RAY
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 Closing).

DAK

EXHIBIT B

Description of the Movable Property

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

Doc

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]

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.]



AGREEMENT FOR SALE OF UTILITY SYSTEM

THIS AGREEMENT ("Agreement"), is made and entered into this 29 day of December, 2019, by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its affiliate ("Buyer"), and HERRINGTON HAVEN WASTEWATER COMPANY, INC. ("Seller"), collectively ("Parties").

WITNESSETH:

WHEREAS, Seller has developed and operates as a regulated sewer corporation sewer facilities, in the area more particularly described and depicted in the documents attached hereto as *Exhibit "A"*, situated in Garrard County, Kentucky (hereinafter the "System"); and

WHEREAS, Buyer is a corporation, organized and existing under the constitution and the laws of the State of Missouri, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller is a corporation, organized and existing under the constitution and the laws of the Commonwealth of Kentucky, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller desires to sell, and Buyer desires to purchase, all the assets, property and real estate connected with the System including, but not limited to, all associated improvements for the conveyance of sewer to each of the customers connected to the service area (defined further below as "Assets"); and

WHEREAS, the parties have reached an understanding with respect to the sale by Seller and the purchase by Buyer of all of the Assets (as hereinafter defined) of the System.

NOW, THEREFORE, it is mutually agreed that:

1. **SALE OF ASSETS.**

For and in consideration of the receipt of the Purchase Price, as set forth below, and the covenants and promises hereinafter set forth, Seller agrees that on the date of the Closing (as hereinafter defined), Seller shall sell, transfer, assign and deliver to Buyer, or Buyer's designated affiliate, all of Seller's then existing assets pertaining to the provision of sewer service in the System located in Garrard County, in the Commonwealth of Kentucky, and related properties, including, without limitation, the following:

A. The land, improvements thereon, easements, rights of way, permits and leases related to the System area depicted in *Exhibit "A"* and/or generally described in *Exhibit*

"B", attached hereto;

B. All of Seller's sewer service facilities, equipment, lines, plant, pipes, manholes and appurtenances;

C. Any machinery and equipment such as meters, tools, devices, mobile work equipment, and all furniture, fixtures, machinery, supplies and other tangible items, if any, located in Garrard County, Kentucky, and used or held for use in connection with the System as generally described in *Exhibit "C"*, attached hereto;

D. All of Seller's rights, title and interest in and to any franchise agreements, franchise rights, warranties, contracts, supply contracts, agreements, bonds or other financial assurances or guaranties, and customer deposits, if any, pertaining to, allocable to or arising out of the provision of sewer service in Garrard County, Kentucky as generally described in *Exhibit "D"*, attached hereto;

E. All of Seller's inventory, merchandise, contract rights, supplies, goodwill, and general intangibles including accounts receivable pertaining to the sewer service, except accounts receivable accrued prior to the Closing; and

F. All assets not described which are located in Garrard County, Kentucky, and used or useful to operate the System, excepting therefrom, and from any other assets described in the paragraphs above of this Section 1, any and all cash, cash equivalents and banking deposits in existence prior to the Closing.

The assets to be sold and delivered, as above described, are hereinafter collectively described as the "Assets."

2. CONVEYANCES OF REAL ESTATE.

The real estate to be conveyed by Seller will include all facilities described herein and all interest of Seller in any sewer and other utility easements. The real estate will be conveyed by general warranty deed, in a form satisfactory to Buyer, and will vest marketable title in fact in the Buyer. Easements shall be assigned by written assignment or other means, in a form satisfactory to Buyer.

At Buyer's expense, Buyer shall obtain, at least thirty (30) calendar days prior to the Closing, a Commitment to issue an Owner's Policy of Title Insurance to Buyer in the amount of the Purchase Price issued by a company authorized to issue title insurance in the Commonwealth of Kentucky, which policy shall insure the owner's title to be marketable as the same is described

and defined in the American Land Title Association (“ALTA”) title examination standards (“Title Standards”). After delivery of said title insurance commitment and Buyer’s completion of the examination and/or review of the commitment and other relevant title information, Buyer shall notify Seller, in writing, of any objections thereto (the Parties agreeing that any objection falling within the said Title Standards shall not constitute a valid objection so long as Seller furnishes affidavits or other papers as described in such standards in order for the title company to delete the same). If there shall be no such notice of objection, then any exceptions in such Commitment or deficiencies in the title to the property noted on such Commitment shall be deemed waived and delivery of a deed in compliance with the terms of the Commitment shall be deemed compliance with the terms of this Agreement. If notice of any objections to defects in the title, as defined above, shall be delivered to Seller, then Seller shall have five (5) business days to correct the title and the Closing shall be postponed until such time, if necessary. If Seller elects not to, or cannot, correct such defects, then Buyer, at Buyer’s option, may waive such defects and proceed to close or may cancel the contract and all obligations hereunder shall be null and void.

3. **REGULATORY APPROVAL.**

Buyer and Seller shall act diligently and cooperate with each other to obtain any regulatory approvals required from the Kentucky Public Service Commission (“PSC”), Kentucky Pollutant Discharge Elimination System (“KPDES”), or any other regulatory agency in the State of Kentucky, as determined by Buyer in its sole discretion, and to obtain transfer of Seller’s permits, if any.

4. **PURCHASE PRICE.** Buyer agrees to pay to Seller at the Closing [REDACTED] [REDACTED] for purchase of the Assets (“Purchase Price”).

5. **CLOSING.**

The Closing of the sale shall take place at a mutually agreeable location no later than forty-five (45) days after the effective date of any necessary regulatory authority approval, satisfaction of Seller’s Representations and Warranties and Conditions Precedent set forth herein, and Buyer having obtained financing under terms acceptable to Buyer in Buyer’s sole discretion, or at such other time as the parties hereto may mutually agree (the “Closing”). At the Closing, Seller shall have delivered to Buyer such deeds, bills of sale, endorsements, assignments and other sufficient instruments of transfer and conveyance as shall be effective to vest in Buyer such title to the Assets to be sold as provided in this Agreement and as set forth in Section 6.D, and Buyer will deliver to

Seller the Purchase Price. From time to time, at Buyer's request and expense, whether at or after the Closing and without further consideration, Seller shall execute and deliver such other instruments of conveyance and transfer and take such other action as Buyer reasonably may require to more effectively convey and transfer to Buyer any of the Assets to be sold hereunder, and will assist Buyer in the collection or reduction to possession of such Assets. Buyer will pay all sales, transfer and documentary taxes, if any, payable in connection with the sale, transfers and deliveries to be made to Buyer hereunder. All ad valorem real estate taxes and assessments levied or assessed against the Assets shall be prorated according to the calendar year as of the Closing based on the most recent tax bill and assessments levied for the same, and Buyer shall receive a credit against the Purchase Price for the amount of taxes owed by Seller at the time of the Closing. Buyer shall pay the costs of recording all instruments required for the Closing to occur, the fees charged by the title company, and Buyer's attorneys' fees. Seller shall pay for all attorneys' fees incurred by Seller.

On the date of the Closing, Buyer shall accept and assume ownership and title to the Assets to be conveyed hereunder and Buyer shall assume liability, and become responsible, for all obligations in connection with the Assets going forward, excepting responsibility for any liabilities and/or obligations of Seller in connection with the Assets that existed prior to the date of the Closing.

6. **SELLER'S REPRESENTATIONS AND WARRANTIES.**

The Seller represents and warrants as follows:

A. **Organization and Standing of Seller.**

Seller is a corporation organized and existing under the constitution and laws of the Commonwealth of Kentucky in good standing with the Kentucky Secretary of State.

B. **Liabilities.**

All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise pertaining to or arising out from the Assets are liabilities and obligations of the Seller and shall remain the obligations of Seller after the date of the Closing.

C. **Absence of Certain Changes.**

After Buyer's inspection and acceptance of the Assets, there shall not be:

- i. Any material change in the use of the Assets in connection with the business or operations of the System;

ii. Any damage, destruction or loss whether or not covered by insurance, materially and adversely affecting the Assets.

D. **Title to Properties.**

Within twenty (20) days prior to the Closing and with Buyer's assistance, Seller shall have obtained legal right to transfer all of the Assets. To the best of Seller's knowledge, unless Seller has disclosed any information in writing to the Buyer to the contrary, Seller owns the Assets to be sold under this Agreement, in all cases, free and clear of all liens, mortgages, pledges, leases, options, rights of first refusal, conditional sales agreements, encumbrances or other charges, except liens for taxes not yet due or payable, easements or right of ways, streets, railways, pipelines, electric transmission and distribution lines, telephone lines, drainage rights and other similar rights or restrictions of record which do not, either individually or in the aggregate have a materially adverse effect on the value or utility of the Assets to be sold hereunder.

Notwithstanding, but not in limitation of, the foregoing, Seller agrees to work with Buyer's surveyor prior to closing to establish, at Buyer's expense, the property boundaries and easement locations and to create a written plat of the distribution and collection lines showing the location of said lines with respect to lot lines, platted utility easements, if any, to the extent the same can be shown with reference to such lot lines and platted utility easements.

Within twenty (20) days prior to the Closing and with Buyer's assistance, Seller agrees to have identified any and all interests in land (including easements or license agreements) it has obtained in connection with its operation and maintenance of the System and will provide Buyer or Buyer's representatives copies of the same or a reference to the book and page number of the records of the Garrard County Recorder's Office where such easements are recorded. The cost of such identification and any related search being the sole responsibility of the Buyer.

Buyer shall have until twenty (20) calendar days prior to the Closing to determine: 1) if Seller lacks an easement or other interest necessary for operation of the System or 2) an easement is defective in title or interest conveyed. If it appears that Seller lacks a valid easement for any portion of the System, or any easement identified suffers from a defect in title or interest conveyed, Buyer at its option and in its sole discretion may: 1) cancel

this Agreement, 2) independently negotiate with the owner of the affected property toward acquisition of the treatment plant and collection lines easements or other easements, 3) notify Seller that Buyer will cancel the Agreement unless a necessary easement is acquired or a defect satisfactorily cured or remedied, and 4) undertake any action, which in Buyer's sole and absolute discretion, would correct an easement or remedy the situation caused by a lack of an easement or proper land interest. Buyer's failure to cancel this Agreement, however, shall not relieve Seller from any of its duties of indemnification set forth in subsequent paragraphs herein, nor shall such failure be construed as Buyer's waiver of any such provisions.

E. Authority to Operate.

The Assets, as described at Section 1 of this Agreement, constitute all of the assets presently owned by the Seller pertaining to the System. To the best of Seller's knowledge, the System is being conducted, and as of the date of the Closing, will be conducted in full compliance with requirements of all regulatory bodies exercising jurisdiction with regard to rates and conditions of service, and with local building and zoning codes.

F. Litigation.

There is no litigation or proceeding pending, or to the knowledge of Seller threatened, against or relating to Seller, the Assets, or the System, nor does Seller know, or have reasonable grounds to know, of any basis for any such action, or of any governmental investigation relative to Seller, the Assets, or the System, except as otherwise disclosed to Buyer.

G. No Violation or Breach.

The performance of this Agreement by Seller, including any preconditions or surviving warranties or representations, is not in violation of any laws, statutes, local ordinances, state or federal regulations, court orders or administrative order or ruling, nor is such performance in violation of any loan documents, conditions or restrictions in effect for financing, whether secured or unsecured.

7. BUYER'S REPRESENTATIONS AND WARRANTIES.

Buyer represents and warrants as follows:

A. Organization and Standing of Buyer.

Buyer is a corporation, organized and existing under the constitution and laws of

the State of Missouri in good standing, and has the requisite power to purchase the Assets which are to be sold pursuant to the terms of this Agreement.

B. **Authority.**

The execution and delivery of this Agreement by Buyer and the purchase of the Assets as contemplated hereby have been duly authorized by Buyer, and all necessary action on the part of Buyer has been taken to authorize the execution and delivery of this Agreement and to consummate the sale contemplated hereby.

8. **CONDITIONS PRECEDENT FOR BUYER TO CLOSE.**

All obligations of Buyer under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

A. **Regulatory Approval.**

Both Parties shall diligently pursue the required approvals and authorizations contemplated herein. In the event the Parties are unable to obtain the required regulatory approval or authorization to complete the transactions contemplated herein, Buyer may terminate this Agreement by providing written notice to Seller at Buyer's sole and absolute discretion.

B. **Representations and Warranties True at Closing.**

Seller's representations and warranties contained in this Agreement shall be true at the time of the Closing as though such representations and warranties were made at such time.

C. **Performance.**

Seller shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Seller prior to or at the Closing, including the payment of all taxes and assessments, or portions thereof, attributable to periods prior to or ending on the day of the Closing, to include PSC assessments.

D. **Feasibility.**

Completion of Buyer's examination, testing and inspection of the Assets, the securing of any and all licenses, permits or governmental approvals Buyer deems necessary for Buyer's proposed uses of the Assets, and any other due diligence determined by the Buyer as necessary in order to determine the feasibility of this acquisition, the results of

any of the foregoing to be satisfactory to Buyer, in its sole and absolute discretion. For purposes of this Agreement, the period from the date this Agreement is fully executed by both parties to the date that is twenty (20) days prior to the Closing, shall be referred to herein as the "Inspection Period." During the Inspection Period, Buyer, its employees, agents and contractors, shall have the right to enter onto any property owned by Seller that is related to the operation of the System, as it deems necessary or desirable, on reasonable prior notice to Seller to perform and complete architectural, environmental, engineering and/or other surveys, studies, inspections and tests on the Assets; to review zoning laws and applicable building codes; to obtain all necessary city, county, and state zoning approval, site plan or subdivision approvals, licenses and permits to authorize the uses of the Assets as intended by Buyer.

E. **No Casualty.**

The Assets shall not have been adversely affected in any material way as a result of any strike, lockout, accident or other casualty or act of God or the public enemy, or any judicial, administrative or governmental proceeding.

F. **Buyer's Right to Terminate.** If Buyer determines, in its sole and absolute discretion, that any of the aforementioned conditions have not been met, Buyer shall have the right to terminate this Agreement at any time prior to the Closing upon written notice to Seller.

9. **CONDITIONS PRECEDENT FOR SELLER TO CLOSE**

All obligations of Seller under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

A. **Representations and Warranties True at Closing.**

Buyer's representations and warranties contained in this Agreement shall be true at the time of the Closing as though such representations and warranties were made at such time.

B. **Performance.**

Buyer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Buyer prior to or at the Closing.

10. **INDEMNIFICATION.**

Seller shall, and hereby does agree to indemnify and hold harmless Buyer, at any time after the Closing against and in respect of:

A. All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise, and including all liabilities or obligations arising out of the transactions entered into, or any state of facts existing, prior to the date of the Closing, including, without limitation, such liabilities or obligations as are described in paragraph B of Section 6 hereof;

B. Any claim, damage or deficiency resulting from any misrepresentation, untrue warranty, breach of warranty, or nonfulfillment of any agreement on the part of Seller under this Agreement or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to Buyer under this Agreement;

C. Any claim, liability, damage or obligation arising out of or attributable to, directly or indirectly, the storage or disposal of hazardous waste or materials prior to the date of the Closing;

D. All actions, suits, proceedings, demands, assessments, judgments, costs (including attorney's fees) and expenses incident to any of the foregoing.

Seller shall reimburse Buyer, on demand, for any payment involuntarily made, required by law to be made, or with the consent of Seller made by Buyer at any time after the date of the Closing in respect of any liability, obligation or claim to which the indemnity and hold harmless by Seller contained in this section relates.

11. **FEEES AND COMMISSIONS.**

Each Party represents that it has not retained any broker or finder and is not paying, and is not obligated to pay, any finder's fee, commission or other transactional fee in connection with the transactions contemplated by this Agreement. Each Party shall pay its own fees for attorneys, accountants, appraisers or others engaged by it in the course of negotiating or executing this Agreement and in closing and completing the transactions hereunder provided. Fees for professional advisors retained jointly by the Parties for their mutual benefit shall be equally divided.

12. **HAZARD INSURANCE & CASUALTY LOSS.**

Seller shall maintain current hazard insurance in force on the Assets until the Closing. The

risk of loss to the Assets shall pass to Buyer upon delivery of possession of the Assets to Buyer. If an event of casualty occurs to the Assets prior to the Closing, the Buyer may elect to either move to the Closing and accept any insurance proceeds as full satisfaction for the damage to the Assets 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.

13. **BENEFIT.**

All of the terms of this Agreement shall be binding upon, and inure to the benefit of, and be enforceable by, the respective legal representatives of Seller, its successors and assigns, and the successors and assigns of Buyer.

14. **GOVERNING LAW.**

This Agreement shall be construed and enforced in accordance with the laws of the State of Missouri.

15. **COUNTERPARTS.**

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Agreement shall not be binding until executed by all Parties.

16. **NO THIRD PARTY BENEFICIARIES.**

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

17. **ENTIRE AGREEMENT.**

This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they have related in any way to the subject matter hereof.

18. **SUCCESSION AND ASSIGNMENT.**

This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. Buyer shall be permitted to assign its rights in this Agreement to an affiliated entity that the Buyer controls without need of consent by the Seller by providing written notice to the Seller of such assignment. Other than the foregoing permitted assignment, no Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of Buyer and Seller, said approval not to

be unreasonably withheld.

19. **HEADINGS.**

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

20. **NOTICES.**

All notices, demands, consents, requests or other communications required to or permitted to be given pursuant to this Agreement shall be in writing, shall be given only in accordance with the provisions of this Section 20, shall be addressed to the parties in the manner set forth below, and shall be conclusively deemed to have been properly delivered: (a) upon receipt when hand delivered during normal business hours (provided that, notices which are hand delivered shall not be effective unless the sending party obtains a signature of a person at such address that the notice has been received); (b) upon receipt when sent by facsimile if sent between the hours of 8:00 a.m. and 5:00 p.m. (the recipient's time) on a business day to the number set forth below with written confirmation of a successful transmission by the sender's facsimile machine; (c) when sent by electronic mail if (1) identified in the subject line as a notice under this Agreement, (2) sent between the hours of 8:00 a.m. and 5:00 p.m. on a business day to the email address set forth below, and (3) acknowledged as received by the recipient, by reply or separate email, (d) upon the day of delivery if the notice has been deposited in an authorized receptacle of the United States Postal Service as first-class, registered or certified mail, postage prepaid, with a return receipt requested (provided that, the sender has in its possession the return receipt to prove actual delivery); or (e) one (1) business day after the notice has been deposited with FedEx, United Parcel Service or other reliable overnight courier to be delivered by overnight delivery (provided that, the sending party receives a confirmation of actual delivery from the courier). The addresses of the parties to receive notices are as follows:

If to Buyer:

Josiah Cox, President
Central States Water Resources, Inc.
500 Northwest Plaza Drive #500
St. Ann, MO 63074
Facsimile: (314) 238-7201
Email: jcox@cswrgroup.com

With a Copy to:

James A. Beckemeier
The Beckemeier Law Firm, LC
13421 Manchester Road, Suite 103
St. Louis, MO 63131
Facsimile: (314) 965-0127
Email: jim@beckemeierlaw.com

If to Seller:

Herrington Haven Wastewater Co., Inc.
P.O. Box 546
Lancaster KY 40444

Phone: 859 553 1802
Facsimile:
Email: price966@aol.com

Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

21. **AMENDMENTS AND WAIVERS.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and Seller. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

22. **SEVERABILITY.**

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

23. **EXPENSES.**

Buyer and Seller shall each bear its own costs and expenses (including legal and accounting fees and expenses) incurred in connection with the preparation of this Agreement and activities necessary for the Closing.

24. **CONSTRUCTION.**

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

25. **INCORPORATION OF EXHIBITS.**

The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

26. **DEFAULT; ATTORNEY'S FEES.**

If either Party shall default in their performance under this Agreement, which default results in the expenditure of attorneys' fees to enforce the terms of this Agreement or to recover damages for breach of this contract, then the prevailing party shall be entitled to receive their reasonable and actually incurred attorneys' fees and costs in addition to any other damages that the Party is entitled to recover at law or in equity.

27. **AUTHORITY TO EXECUTE.** Each person whose signature appears hereon represents, warrants and guarantees that he or she has been duly authorized and has full authority to execute this Agreement on behalf of the party on whose behalf this Agreement is executed.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first above written.

SELLER:

HERRINGTON HAVEN WASTEWATER
COMPANY, INC.

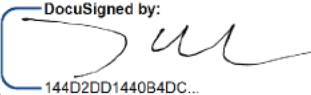
By: Charles M. Price

Name: CHARLES M. PRICE

Title: President/CO owner
Linda Price co owner

BUYER:

CENTRAL STATES WATER
RESOURCES, INC.

By: 
144D2DD1440B4DC...
Josiah Cox, President

AGREEMENT FOR SALE OF UTILITY SYSTEM

THIS AGREEMENT ("Agreement"), is made and entered into this 10th day of JANUARY, 2010, by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its affiliate ("Buyer"), and SPRINGCREST SEWER COMPANY ("Seller"), collectively ("Parties").

WITNESSETH:

WHEREAS, Seller has developed and operates as a regulated sewer corporation sewer facilities, in the area more particularly described and depicted in the documents attached hereto as *Exhibit "A"*, situated in Jessamine County, Kentucky (hereinafter the "System"); and

WHEREAS, Buyer is a corporation, organized and existing under the constitution and the laws of the State of Missouri, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller is a corporation, organized and existing under the constitution and the laws of the Commonwealth of Kentucky, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller desires to sell, and Buyer desires to purchase, all the assets, property and real estate connected with the System including, but not limited to, all associated improvements for the conveyance of sewer to each of the customers connected to the service area (defined further below as "Assets"); and

WHEREAS, the parties have reached an understanding with respect to the sale by Seller and the purchase by Buyer of all of the Assets (as hereinafter defined) of the System.

NOW, THEREFORE, it is mutually agreed that:

1. **SALE OF ASSETS.**

For and in consideration of the receipt of the Purchase Price, as set forth below, and the covenants and promises hereinafter set forth, Seller agrees that on the date of the Closing (as hereinafter defined), Seller shall sell, transfer, assign and deliver to Buyer, or Buyer's designated affiliate, all of Seller's then existing assets pertaining to the provision of sewer service in the System located in Jessamine County, in the Commonwealth of Kentucky, and related properties, including, without limitation, the following:

A. The land, improvements thereon, easements, rights of way, permits and leases related to the System area depicted in *Exhibit "A"* and/or generally described in *Exhibit*

"B", attached hereto;

B. All of Seller's sewer service facilities, equipment, lines, plant, pipes, manholes and appurtenances;

C. Any machinery and equipment such as meters, tools, devices, mobile work equipment, and all furniture, fixtures, machinery, supplies and other tangible items, if any, located in Jessamine County, Kentucky, and used or held for use in connection with the System as generally described in *Exhibit "C"*, attached hereto;

D. All of Seller's rights, title and interest in and to any franchise agreements, franchise rights, warranties, contracts, supply contracts, agreements, bonds or other financial assurances or guaranties, and customer deposits, if any, pertaining to, allocable to or arising out of the provision of sewer service in Jessamine County, Kentucky as generally described in *Exhibit "D"*, attached hereto;

E. All of Seller's inventory, merchandise, contract rights, supplies, goodwill, and general intangibles including accounts receivable pertaining to the sewer service, except accounts receivable accrued prior to the Closing; and

F. All assets not described which are located in Jessamine County, Kentucky, and used or useful to operate the System, excepting therefrom, and from any other assets described in the paragraphs above of this Section 1, any and all cash, cash equivalents and banking deposits in existence prior to the Closing.

The assets to be sold and delivered, as above described, are hereinafter collectively described as the "Assets."

2. CONVEYANCES OF REAL ESTATE.

The real estate to be conveyed by Seller will include all facilities described herein and all interest of Seller in any sewer and other utility easements. The real estate will be conveyed by general warranty deed, in a form satisfactory to Buyer, and will vest marketable title in fact in the Buyer. Easements shall be assigned by written assignment or other means, in a form satisfactory to Buyer.

At Buyer's expense, Buyer shall obtain, at least thirty (30) calendar days prior to the Closing, a Commitment to issue an Owner's Policy of Title Insurance to Buyer in the amount of the Purchase Price issued by a company authorized to issue title insurance in the Commonwealth of Kentucky, which policy shall insure the owner's title to be marketable as the same is described

and defined in the American Land Title Association (“ALTA”) title examination standards (“Title Standards”). After delivery of said title insurance commitment and Buyer’s completion of the examination and/or review of the commitment and other relevant title information, Buyer shall notify Seller, in writing, of any objections thereto (the Parties agreeing that any objection falling within the said Title Standards shall not constitute a valid objection so long as Seller furnishes affidavits or other papers as described in such standards in order for the title company to delete the same). If there shall be no such notice of objection, then any exceptions in such Commitment or deficiencies in the title to the property noted on such Commitment shall be deemed waived and delivery of a deed in compliance with the terms of the Commitment shall be deemed compliance with the terms of this Agreement. If notice of any objections to defects in the title, as defined above, shall be delivered to Seller, then Seller shall have five (5) business days to correct the title and the Closing shall be postponed until such time, if necessary. If Seller elects not to, or cannot, correct such defects, then Buyer, at Buyer’s option, may waive such defects and proceed to close or may cancel the contract and all obligations hereunder shall be null and void.

3. **REGULATORY APPROVAL.**

Buyer and Seller shall act diligently and cooperate with each other to obtain any regulatory approvals required from the Kentucky Public Service Commission (“PSC”), Kentucky Pollutant Discharge Elimination System (“KPDES”), or any other regulatory agency in the State of Kentucky, as determined by Buyer in its sole discretion, and to obtain transfer of Seller’s permits, if any.

4. **PURCHASE PRICE.** Buyer agrees to pay to Seller at the Closing [REDACTED] [REDACTED], for purchase of the Assets (“Purchase Price”).

5. **CLOSING.**

The Closing of the sale shall take place at a mutually agreeable location no later than forty-five (45) days after the effective date of any necessary regulatory authority approval, satisfaction of Seller’s Representations and Warranties and Conditions Precedent set forth herein, and Buyer having obtained financing under terms acceptable to Buyer in Buyer’s sole discretion, or at such other time as the parties hereto may mutually agree (the “Closing”). At the Closing, Seller shall have delivered to Buyer such deeds, bills of sale, endorsements, assignments and other sufficient instruments of transfer and conveyance as shall be effective to vest in Buyer such title to the Assets to be sold as provided in this Agreement and as set forth in Section 6.D, and Buyer will deliver to

Seller the Purchase Price. From time to time, at Buyer's request and expense, whether at or after the Closing and without further consideration, Seller shall execute and deliver such other instruments of conveyance and transfer and take such other action as Buyer reasonably may require to more effectively convey and transfer to Buyer any of the Assets to be sold hereunder, and will assist Buyer in the collection or reduction to possession of such Assets. Buyer will pay all sales, transfer and documentary taxes, if any, payable in connection with the sale, transfers and deliveries to be made to Buyer hereunder. All ad valorem real estate taxes and assessments levied or assessed against the Assets shall be prorated according to the calendar year as of the Closing based on the most recent tax bill and assessments levied for the same, and Buyer shall receive a credit against the Purchase Price for the amount of taxes owed by Seller at the time of the Closing. Buyer shall pay the costs of recording all instruments required for the Closing to occur, the fees charged by the title company, and Buyer's attorneys' fees. Seller shall pay for all attorneys' fees incurred by Seller.

On the date of the Closing, Buyer shall accept and assume ownership and title to the Assets to be conveyed hereunder and Buyer shall assume liability, and become responsible, for all obligations in connection with the Assets going forward, excepting responsibility for any liabilities and/or obligations of Seller in connection with the Assets that existed prior to the date of the Closing.

6. **SELLER'S REPRESENTATIONS AND WARRANTIES.**

The Seller represents and warrants as follows:

A. **Organization and Standing of Seller.**

Seller is a corporation organized and existing under the constitution and laws of the Commonwealth of Kentucky in good standing with the Kentucky Secretary of State.

B. **Liabilities.**

All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise pertaining to or arising out from the Assets are liabilities and obligations of the Seller and shall remain the obligations of Seller after the date of the Closing.

C. **Absence of Certain Changes.**

After Buyer's inspection and acceptance of the Assets, there shall not be:

- i. Any material change in the use of the Assets in connection with the business or operations of the System;

ii. Any damage, destruction or loss whether or not covered by insurance, materially and adversely affecting the Assets.

D. **Title to Properties.**

Within twenty (20) days prior to the Closing and with Buyer's assistance, Seller shall have obtained legal right to transfer all of the Assets. To the best of Seller's knowledge, unless Seller has disclosed any information in writing to the Buyer to the contrary, Seller owns the Assets to be sold under this Agreement, in all cases, free and clear of all liens, mortgages, pledges, leases, options, rights of first refusal, conditional sales agreements, encumbrances or other charges, except liens for taxes not yet due or payable, easements or right of ways, streets, railways, pipelines, electric transmission and distribution lines, telephone lines, drainage rights and other similar rights or restrictions of record which do not, either individually or in the aggregate have a materially adverse effect on the value or utility of the Assets to be sold hereunder.

Notwithstanding, but not in limitation of, the foregoing, Seller agrees to work with Buyer's surveyor prior to closing to establish, at Buyer's expense, the property boundaries and easement locations and to create a written plat of the distribution and collection lines showing the location of said lines with respect to lot lines, platted utility easements, if any, to the extent the same can be shown with reference to such lot lines and platted utility easements.

Within twenty (20) days prior to the Closing and with Buyer's assistance, Seller agrees to have identified any and all interests in land (including easements or license agreements) it has obtained in connection with its operation and maintenance of the System and will provide Buyer or Buyer's representatives copies of the same or a reference to the book and page number of the records of the Jessamine County Recorder's Office where such easements are recorded. The cost of such identification and any related search being the sole responsibility of the Buyer.

Buyer shall have until twenty (20) calendar days prior to the Closing to determine: 1) if Seller lacks an easement or other interest necessary for operation of the System or 2) an easement is defective in title or interest conveyed. If it appears that Seller lacks a valid easement for any portion of the System, or any easement identified suffers from a defect in title or interest conveyed, Buyer at its option and in its sole discretion may: 1) cancel

this Agreement, 2) independently negotiate with the owner of the affected property toward acquisition of the treatment plant and collection lines easements or other easements, 3) notify Seller that Buyer will cancel the Agreement unless a necessary easement is acquired or a defect satisfactorily cured or remedied, and 4) undertake any action, which in Buyer's sole and absolute discretion, would correct an easement or remedy the situation caused by a lack of an easement or proper land interest. Buyer's failure to cancel this Agreement, however, shall not relieve Seller from any of its duties of indemnification set forth in subsequent paragraphs herein, nor shall such failure be construed as Buyer's waiver of any such provisions.

E. **Authority to Operate.**

The Assets, as described at Section 1 of this Agreement, constitute all of the assets presently owned by the Seller pertaining to the System. To the best of Seller's knowledge, the System is being conducted, and as of the date of the Closing, will be conducted in full compliance with requirements of all regulatory bodies exercising jurisdiction with regard to rates and conditions of service, and with local building and zoning codes.

F. **Litigation.**

There is no litigation or proceeding pending, or to the knowledge of Seller threatened, against or relating to Seller, the Assets, or the System, nor does Seller know, or have reasonable grounds to know, of any basis for any such action, or of any governmental investigation relative to Seller, the Assets, or the System, except as otherwise disclosed to Buyer.

G. **No Violation or Breach.**

The performance of this Agreement by Seller, including any preconditions or surviving warranties or representations, is not in violation of any laws, statutes, local ordinances, state or federal regulations, court orders or administrative order or ruling, nor is such performance in violation of any loan documents, conditions or restrictions in effect for financing, whether secured or unsecured.

7. **BUYER'S REPRESENTATIONS AND WARRANTIES.**

Buyer represents and warrants as follows:

A. **Organization and Standing of Buyer.**

Buyer is a corporation, organized and existing under the constitution and laws of

the State of Missouri in good standing, and has the requisite power to purchase the Assets which are to be sold pursuant to the terms of this Agreement.

B. Authority.

The execution and delivery of this Agreement by Buyer and the purchase of the Assets as contemplated hereby have been duly authorized by Buyer, and all necessary action on the part of Buyer has been taken to authorize the execution and delivery of this Agreement and to consummate the sale contemplated hereby.

8. CONDITIONS PRECEDENT FOR BUYER TO CLOSE.

All obligations of Buyer under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

A. Regulatory Approval.

Both Parties shall diligently pursue the required approvals and authorizations contemplated herein. In the event the Parties are unable to obtain the required regulatory approval or authorization to complete the transactions contemplated herein, Buyer may terminate this Agreement by providing written notice to Seller at Buyer's sole and absolute discretion.

B. Representations and Warranties True at Closing.

Seller's representations and warranties contained in this Agreement shall be true at the time of the Closing as though such representations and warranties were made at such time.

C. Performance.

Seller shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Seller prior to or at the Closing, including the payment of all taxes and assessments, or portions thereof, attributable to periods prior to or ending on the day of the Closing, to include PSC assessments.

D. Feasibility.

Completion of Buyer's examination, testing and inspection of the Assets, the securing of any and all licenses, permits or governmental approvals Buyer deems necessary for Buyer's proposed uses of the Assets, and any other due diligence determined by the Buyer as necessary in order to determine the feasibility of this acquisition, the results of

any of the foregoing to be satisfactory to Buyer, in its sole and absolute discretion. For purposes of this Agreement, the period from the date this Agreement is fully executed by both parties to the date that is twenty (20) days prior to the Closing, shall be referred to herein as the "Inspection Period." During the Inspection Period, Buyer, its employees, agents and contractors, shall have the right to enter onto any property owned by Seller that is related to the operation of the System, as it deems necessary or desirable, on reasonable prior notice to Seller to perform and complete architectural, environmental, engineering and/or other surveys, studies, inspections and tests on the Assets; to review zoning laws and applicable building codes; to obtain all necessary city, county, and state zoning approval, site plan or subdivision approvals, licenses and permits to authorize the uses of the Assets as intended by Buyer.

E. **No Casualty.**

The Assets shall not have been adversely affected in any material way as a result of any strike, lockout, accident or other casualty or act of God or the public enemy, or any judicial, administrative or governmental proceeding.

F. **Buyer's Right to Terminate.** If Buyer determines, in its sole and absolute discretion, that any of the aforementioned conditions have not been met, Buyer shall have the right to terminate this Agreement at any time prior to the Closing upon written notice to Seller.

9. **CONDITIONS PRECEDENT FOR SELLER TO CLOSE**

All obligations of Seller under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

A. **Representations and Warranties True at Closing.**

Buyer's representations and warranties contained in this Agreement shall be true at the time of the Closing as though such representations and warranties were made at such time.

B. **Performance.**

Buyer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Buyer prior to or at the Closing.

10. **INDEMNIFICATION.**

Seller shall, and hereby does agree to indemnify and hold harmless Buyer, at any time after the Closing against and in respect of:

A. All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise, and including all liabilities or obligations arising out of the transactions entered into, or any state of facts existing, prior to the date of the Closing, including, without limitation, such liabilities or obligations as are described in paragraph B of Section 6 hereof;

B. Any claim, damage or deficiency resulting from any misrepresentation, untrue warranty, breach of warranty, or nonfulfillment of any agreement on the part of Seller under this Agreement or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to Buyer under this Agreement;

C. Any claim, liability, damage or obligation arising out of or attributable to, directly or indirectly, the storage or disposal of hazardous waste or materials prior to the date of the Closing;

D. All actions, suits, proceedings, demands, assessments, judgments, costs (including attorney's fees) and expenses incident to any of the foregoing.

Seller shall reimburse Buyer, on demand, for any payment involuntarily made, required by law to be made, or with the consent of Seller made by Buyer at any time after the date of the Closing in respect of any liability, obligation or claim to which the indemnity and hold harmless by Seller contained in this section relates.

11. **FEES AND COMMISSIONS.**

Each Party represents that it has not retained any broker or finder and is not paying, and is not obligated to pay, any finder's fee, commission or other transactional fee in connection with the transactions contemplated by this Agreement. Each Party shall pay its own fees for attorneys, accountants, appraisers or others engaged by it in the course of negotiating or executing this Agreement and in closing and completing the transactions hereunder provided. Fees for professional advisors retained jointly by the Parties for their mutual benefit shall be equally divided.

12. **HAZARD INSURANCE & CASUALTY LOSS.**

Seller shall maintain current hazard insurance in force on the Assets until the Closing. The

risk of loss to the Assets shall pass to Buyer upon delivery of possession of the Assets to Buyer. If an event of casualty occurs to the Assets prior to the Closing, the Buyer may elect to either move to the Closing and accept any insurance proceeds as full satisfaction for the damage to the Assets 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.

13. **BENEFIT.**

All of the terms of this Agreement shall be binding upon, and inure to the benefit of, and be enforceable by, the respective legal representatives of Seller, its successors and assigns, and the successors and assigns of Buyer.

14. **GOVERNING LAW.**

This Agreement shall be construed and enforced in accordance with the laws of the State of Missouri.

15. **COUNTERPARTS.**

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Agreement shall not be binding until executed by all Parties.

16. **NO THIRD PARTY BENEFICIARIES.**

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

17. **ENTIRE AGREEMENT.**

This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they have related in any way to the subject matter hereof.

18. **SUCCESSION AND ASSIGNMENT.**

This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. Buyer shall be permitted to assign its rights in this Agreement to an affiliated entity that the Buyer controls without need of consent by the Seller by providing written notice to the Seller of such assignment. Other than the foregoing permitted assignment, no Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of Buyer and Seller, said approval not to

be unreasonably withheld.

19. **HEADINGS.**

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

20. **NOTICES.**

All notices, demands, consents, requests or other communications required to or permitted to be given pursuant to this Agreement shall be in writing, shall be given only in accordance with the provisions of this Section 20, shall be addressed to the parties in the manner set forth below, and shall be conclusively deemed to have been properly delivered: (a) upon receipt when hand delivered during normal business hours (provided that, notices which are hand delivered shall not be effective unless the sending party obtains a signature of a person at such address that the notice has been received); (b) upon receipt when sent by facsimile if sent between the hours of 8:00 a.m. and 5:00 p.m. (the recipient's time) on a business day to the number set forth below with written confirmation of a successful transmission by the sender's facsimile machine; (c) when sent by electronic mail if (1) identified in the subject line as a notice under this Agreement, (2) sent between the hours of 8:00 a.m. and 5:00 p.m. on a business day to the email address set forth below, and (3) acknowledged as received by the recipient, by reply or separate email, (d) upon the day of delivery if the notice has been deposited in an authorized receptacle of the United States Postal Service as first-class, registered or certified mail, postage prepaid, with a return receipt requested (provided that, the sender has in its possession the return receipt to prove actual delivery); or (e) one (1) business day after the notice has been deposited with FedEx, United Parcel Service or other reliable overnight courier to be delivered by overnight delivery (provided that, the sending party receives a confirmation of actual delivery from the courier). The addresses of the parties to receive notices are as follows:

If to Buyer:

Josiah Cox, President
Central States Water Resources, Inc.
500 Northwest Plaza Drive #500
St. Ann, MO 63074
Facsimile: (314) 238-7201
Email: jcox@cswrgroup.com

With a Copy to:

James A. Beckemeier
The Beckemeier Law Firm, LC
13421 Manchester Road, Suite 103
St. Louis, MO 63131
Facsimile: (314) 965-0127
Email: jim@beckemeierlaw.com

If to Seller:

Phone: _____
Facsimile: _____
Email: _____

Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

21. **AMENDMENTS AND WAIVERS.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and Seller. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

22. **SEVERABILITY.**

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

23. **EXPENSES.**

Buyer and Seller shall each bear its own costs and expenses (including legal and accounting fees and expenses) incurred in connection with the preparation of this Agreement and activities necessary for the Closing.

24. **CONSTRUCTION.**

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

25. **INCORPORATION OF EXHIBITS.**

The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

26. **DEFAULT; ATTORNEY'S FEES.**

If either Party shall default in their performance under this Agreement, which default results in the expenditure of attorneys' fees to enforce the terms of this Agreement or to recover damages for breach of this contract, then the prevailing party shall be entitled to receive their reasonable and actually incurred attorneys' fees and costs in addition to any other damages that the Party is entitled to recover at law or in equity.

27. **AUTHORITY TO EXECUTE.** Each person whose signature appears hereon represents, warrants and guarantees that he or she has been duly authorized and has full authority to execute this Agreement on behalf of the party on whose behalf this Agreement is executed.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first above written.

SELLER:

SPRINGCREST SEWER COMPANY

By: Melvin Price Linda Price
Name: Melvin Price Linda Price
Title: CO-OWNER CO-owner

BUYER:

CENTRAL STATES WATER
RESOURCES, INC.

By: [Signature]
Josiah Cox, President

EXHIBIT "A"

Service Area Description

EXHIBIT "B"

Description of Land, Improvements thereon, Easements, Rights of Way, Permits and Leases
(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 Closing).

EXHIBIT "C"

Personal Property and Equipment

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

Description	Balance of Associated Debt & Lender Information

EXHIBIT "D"

Rights Via Agreements, Contracts, Misc.

(franchise agreements, franchise rights, warranties, contracts, supply contracts, agreements, bonds and/or other financial assurances and customer deposits)

AGREEMENT FOR SALE OF UTILITY SYSTEM

THIS AGREEMENT ("Agreement"), is made and entered into this 17 day of October, 2019, by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its affiliate ("Buyer"), and WOODLAND ACRES UTILITIES, LLC ("Seller"), collectively ("Parties").

WITNESSETH:

WHEREAS, Seller has developed and operates, as a regulated sewer corporation, sewer facilities, in the area more particularly described and depicted in the documents attached hereto as *Exhibit "A"*, situated in Bullitt County, Kentucky (hereinafter the "System"); and

WHEREAS, Buyer is a corporation, organized and existing under the constitution and the laws of the State of Missouri, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller is a limited liability company, organized and existing under the constitution and the laws of the Commonwealth of Kentucky, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller desires to sell, and Buyer desires to purchase, all the assets, property and real estate connected with the System including, but not limited to, all associated improvements for the conveyance of sewer to each of the customers connected to the service area (defined further below as "Assets"); and

WHEREAS, the parties have reached an understanding with respect to the sale by Seller and the purchase by Buyer of all of the Assets (as hereinafter defined) of the System.

NOW, THEREFORE, it is mutually agreed that:

1. **SALE OF ASSETS**

For and in consideration of the receipt of the Purchase Price, as set forth below, and the covenants and promises hereinafter set forth, Seller agrees that on the date of the Closing (as hereinafter defined), Seller shall sell, transfer, assign and deliver to Buyer, or Buyer's designated affiliate, all of Seller's then existing assets pertaining to the provision of sewer service in the System located in Bullitt County, in the Commonwealth of Kentucky, and related properties, including, without limitation, the following:

A. The land, improvements thereon, easements, rights of way, permits and leases related to the System area depicted in *Exhibit "A"* and/or generally described in *Exhibit*

"B", attached hereto;

B. All of Seller's sewer service facilities, equipment, lines, plant, pipes, manholes and appurtenances;

C. Any machinery and equipment such as meters, tools, devices, mobile work equipment, and all furniture, fixtures, machinery, supplies and other tangible items, if any, located in Bullitt County, Kentucky, and used or held for use in connection with the System as generally described in *Exhibit "C"*, attached hereto;

D. All of Seller's rights, title and interest in and to any franchise agreements, franchise rights, warranties, contracts, supply contracts, agreements, bonds or other financial assurances or guaranties, and customer deposits, if any, pertaining to, allocable to or arising out of the provision of sewer service in Bullitt County, Kentucky as generally described in *Exhibit "D"*, attached hereto;

E. All of Seller's inventory, merchandise, contract rights, supplies, goodwill, and general intangibles including accounts receivable pertaining to the sewer service, except accounts receivable accrued prior to the Closing; and

F. All assets not described which are located in Bullitt County, Kentucky, and used or useful to operate the System, excepting therefrom, and from any other assets described in the paragraphs above of this Section 1, any and all cash, cash equivalents and banking deposits in existence prior to the Closing.

The assets to be sold and delivered, as above described, are hereinafter collectively described as the "Assets."

2. **CONVEYANCES OF REAL ESTATE.**

The real estate to be conveyed by Seller will include all facilities described herein and all interest of Seller in any sewer and other utility easements. The real estate will be conveyed by general warranty deed, in a form satisfactory to Buyer, and will vest marketable title in fact in the Buyer. Easements shall be assigned by written assignment or other means, in a form satisfactory to Buyer.

At Buyer's expense, Buyer shall obtain, at least thirty (30) calendar days prior to the Closing, a Commitment to issue an Owner's Policy of Title Insurance to Buyer in the amount of the Purchase Price issued by a company authorized to issue title insurance in the Commonwealth of Kentucky, which policy shall insure the owner's title to be marketable as the same is described

and defined in the American Land Title Association (“ALTA”) title examination standards (“Title Standards”). After delivery of said title insurance commitment and Buyer’s completion of the examination and/or review of the commitment and other relevant title information, Buyer shall notify Seller, in writing, of any objections thereto (the Parties agreeing that any objection falling within the said Title Standards shall not constitute a valid objection so long as Seller furnishes affidavits or other papers as described in such standards in order for the title company to delete the same). If there shall be no such notice of objection, then any exceptions in such Commitment or deficiencies in the title to the property noted on such Commitment shall be deemed waived and delivery of a deed in compliance with the terms of the Commitment shall be deemed compliance with the terms of this Agreement. If notice of any objections to defects in the title, as defined above, shall be delivered to Seller, then Seller shall have five (5) business days to correct the title and the Closing shall be postponed until such time, if necessary. If Seller elects not to, or cannot, correct such defects, then Buyer, at Buyer’s option, may waive such defects and proceed to close or may cancel the contract and all obligations hereunder shall be null and void.

3. **REGULATORY APPROVAL.**

Buyer and Seller shall act diligently and cooperate with each other to obtain any regulatory approvals required from the Kentucky Public Service Commission (“PSC”), Kentucky Pollutant Discharge Elimination System (“KPDES”), or any other regulatory agency in the State of Kentucky, as determined by Buyer in its sole discretion, and to obtain transfer of Seller’s permits, if any.

4. **PURCHASE PRICE.** Buyer agrees to pay to Seller at the Closing [REDACTED] [REDACTED] for purchase of the Assets (“Purchase Price”).

5. **CLOSING.**

The Closing of the sale shall take place at a mutually agreeable location no later than forty-five (45) days after the effective date of any necessary regulatory authority approval, satisfaction of Seller’s Representations and Warranties and Conditions Precedent set forth herein, and Buyer having obtained financing under terms acceptable to Buyer in Buyer’s sole discretion, or at such other time as the parties hereto may mutually agree (the “Closing”). At the Closing, Seller shall have delivered to Buyer such deeds, bills of sale, endorsements, assignments and other sufficient instruments of transfer and conveyance as shall be effective to vest in Buyer such

title to the Assets to be sold as provided in this Agreement and as set forth in Section 6.D, and Buyer will deliver to Seller the Purchase Price. From time to time, at Buyer's request and expense, whether at or after the Closing and without further consideration, Seller shall execute and deliver such other instruments of conveyance and transfer and take such other action as Buyer reasonably may require to more effectively convey and transfer to Buyer any of the Assets to be sold hereunder, and will assist Buyer in the collection or reduction to possession of such Assets. Buyer will pay all sales, transfer and documentary taxes, if any, payable in connection with the sale, transfers and deliveries to be made to Buyer hereunder. All ad valorem real estate taxes and assessments levied or assessed against the Assets shall be prorated according to the calendar year as of the Closing based on the most recent tax bill and assessments levied for the same, and Buyer shall receive a credit against the Purchase Price for the amount of taxes owed by Seller at the time of the Closing. Buyer shall pay the costs of recording all instruments required for the Closing to occur, the fees charged by the title company, and Buyer's attorneys' fees. Seller shall pay for all attorneys' fees incurred by Seller.

On the date of the Closing, Buyer shall accept and assume ownership and title to the Assets to be conveyed hereunder and Buyer shall assume liability, and become responsible, for all obligations in connection with the Assets going forward, excepting responsibility for any liabilities and/or obligations of Seller in connection with the Assets that existed prior to the date of the Closing.

6. **SELLER'S REPRESENTATIONS AND WARRANTIES.**

The Seller represents and warrants as follows:

A. **Organization and Standing of Seller.**

Seller is a limited liability company organized and existing under the constitution and laws of the Commonwealth of Kentucky *NOT in good standing* with the Kentucky Secretary of State; however, Seller has all the requisite power and authority to sell the Assets pursuant to the terms of this Agreement.

B. **Liabilities.**

All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise pertaining to or arising out from the Assets are liabilities and obligations of the Seller and shall remain the obligations of Seller after the date of the Closing.

C. **Absence of Certain Changes.**

After Buyer's inspection and acceptance of the Assets, there shall not be:

- i. Any material change in the use of the Assets in connection with the business or operations of the System;
- ii. Any damage, destruction or loss whether or not covered by insurance, materially and adversely affecting the Assets.

D. **Title to Properties.**

Within twenty (20) days prior to the Closing and with Buyer's assistance, Seller shall have obtained legal right to transfer all of the Assets. To the best of Seller's knowledge, unless Seller has disclosed any information in writing to the Buyer to the contrary, Seller owns the Assets to be sold under this Agreement, in all cases, free and clear of all liens, mortgages, pledges, leases, options, rights of first refusal, conditional sales agreements, encumbrances or other charges, except liens for taxes not yet due or payable, easements or right of ways, streets, railways, pipelines, electric transmission and distribution lines, telephone lines, drainage rights and other similar rights or restrictions of record which do not, either individually or in the aggregate have a materially adverse effect on the value or utility of the Assets to be sold hereunder.

Notwithstanding, but not in limitation of, the foregoing, Seller agrees to work with Buyer's surveyor prior to closing to establish, at Buyer's expense, the property boundaries and easement locations and to create a written plat of the distribution and collection lines showing the location of said lines with respect to lot lines, platted utility easements, if any, to the extent the same can be shown with reference to such lot lines and platted utility easements.

Within twenty (20) days prior to the Closing and with Buyer's assistance, Seller agrees to have identified any and all interests in land (including easements or license agreements) it has obtained in connection with its operation and maintenance of the System and will provide Buyer or Buyer's representatives copies of the same or a reference to the book and page number of the records of the Bullitt County Recorder's Office where such easements are recorded. The cost of such identification and any related search being the sole responsibility of the Buyer.

Buyer shall have until twenty (20) calendar days prior to the Closing to

determine: 1) if Seller lacks an easement or other interest necessary for operation of the System or 2) an easement is defective in title or interest conveyed. If it appears that Seller lacks a valid easement for any portion of the System, or any easement identified suffers from a defect in title or interest conveyed, Buyer at its option and in its sole discretion may: 1) cancel this Agreement, 2) independently negotiate with the owner of the affected property toward acquisition of the treatment plant and collection lines easements or other easements, 3) notify Seller that Buyer will cancel the Agreement unless a necessary easement is acquired or a defect satisfactorily cured or remedied, and 4) undertake any action, which in Buyer's sole and absolute discretion, would correct an easement or remedy the situation caused by a lack of an easement or proper land interest. Buyer's failure to cancel this Agreement, however, shall not relieve Seller from any of its duties of indemnification set forth in subsequent paragraphs herein, nor shall such failure be construed as Buyer's waiver of any such provisions.

E. **Authority to Operate.**

The Assets, as described at Section 1 of this Agreement, constitute all of the assets presently owned by the Seller pertaining to the System. To the best of Seller's knowledge, the System is being conducted, and as of the date of the Closing, will be conducted in full compliance with requirements of all regulatory bodies exercising jurisdiction with regard to rates and conditions of service, and with local building and zoning codes.

F. **Litigation.**

There is no litigation or proceeding pending, or to the knowledge of Seller threatened, against or relating to Seller, the Assets, or the System, nor does Seller know, or have reasonable grounds to know, of any basis for any such action, or of any governmental investigation relative to Seller, the Assets, or the System, except as otherwise disclosed to Buyer.

G. **No Violation or Breach.**

The performance of this Agreement by Seller, including any preconditions or surviving warranties or representations, is not in violation of any laws, statutes, local ordinances, state or federal regulations, court orders or administrative order or ruling, nor is such performance in violation of any loan documents, conditions or restrictions in

effect for financing, whether secured or unsecured.

7. **BUYER'S REPRESENTATIONS AND WARRANTIES.**

Buyer represents and warrants as follows:

A. **Organization and Standing of Buyer.**

Buyer is a corporation, organized and existing under the constitution and laws of the State of Missouri in good standing, and has the requisite power to purchase the Assets which are to be sold pursuant to the terms of this Agreement.

B. **Authority.**

The execution and delivery of this Agreement by Buyer and the purchase of the Assets as contemplated hereby have been duly authorized by Buyer, and all necessary action on the part of Buyer has been taken to authorize the execution and delivery of this Agreement and to consummate the sale contemplated hereby.

8. **CONDITIONS PRECEDENT FOR BUYER TO CLOSE.**

All obligations of Buyer under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

A. **Regulatory Approval.**

Both Parties shall diligently pursue the required approvals and authorizations contemplated herein. In the event the Parties are unable to obtain the required regulatory approval or authorization to complete the transactions contemplated herein, Buyer may terminate this Agreement by providing written notice to Seller at Buyer's sole and absolute discretion.

B. **Representations and Warranties True at Closing.**

Seller's representations and warranties contained in this Agreement shall be true at the time of the Closing as though such representations and warranties were made at such time.

C. **Performance.**

Seller shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Seller prior to or at the Closing, including the payment of all taxes and assessments, or portions thereof, attributable to periods prior to or ending on the day of the Closing, to include PSC assessments.

D. **Feasibility.**

Completion of Buyer's examination, testing and inspection of the Assets, the securing of any and all licenses, permits or governmental approvals Buyer deems necessary for Buyer's proposed uses of the Assets, and any other due diligence determined by the Buyer as necessary in order to determine the feasibility of this acquisition, the results of any of the foregoing to be satisfactory to Buyer, in its sole and absolute discretion. For purposes of this Agreement, the period from the date this Agreement is fully executed by both parties to the date that is twenty (20) days prior to the Closing, shall be referred to herein as the "Inspection Period." During the Inspection Period, Buyer, its employees, agents and contractors, shall have the right to enter onto any property owned by Seller that is related to the operation of the System, as it deems necessary or desirable, on reasonable prior notice to Seller to perform and complete architectural, environmental, engineering and/or other surveys, studies, inspections and tests on the Assets; to review zoning laws and applicable building codes; to obtain all necessary city, county, and state zoning approval, site plan or subdivision approvals, licenses and permits to authorize the uses of the Assets as intended by Buyer.

E. **No Casualty.**

The Assets shall not have been adversely affected in any material way as a result of any strike, lockout, accident or other casualty or act of God or the public enemy, or any judicial, administrative or governmental proceeding.

F. **Buyer's Right to Terminate.** If Buyer determines, in its sole and absolute discretion, that any of the aforementioned conditions have not been met, Buyer shall have the right to terminate this Agreement at any time prior to the Closing upon written notice to Seller.

9. **CONDITIONS PRECEDENT FOR SELLER TO CLOSE**

All obligations of Seller under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

A. **Representations and Warranties True at Closing.**

Buyer's representations and warranties contained in this Agreement shall be true at the time of the Closing as though such representations and warranties were made at such time.

B. Performance.

Buyer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Buyer prior to or at the Closing.

10. INDEMNIFICATION.

Seller shall, and hereby does agree to indemnify and hold harmless Buyer, at any time after the Closing against and in respect of:

A. All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise, and including all liabilities or obligations arising out of the transactions entered into, or any state of facts existing, prior to the date of the Closing, including, without limitation, such liabilities or obligations as are described in paragraph B of Section 6 hereof;

B. Any claim, damage or deficiency resulting from any misrepresentation, untrue warranty, breach of warranty, or nonfulfillment of any agreement on the part of Seller under this Agreement or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to Buyer under this Agreement;

C. Any claim, liability, damage or obligation arising out of or attributable to, directly or indirectly, the storage or disposal of hazardous waste or materials prior to the date of the Closing;

D. All actions, suits, proceedings, demands, assessments, judgments, costs (including attorney's fees) and expenses incident to any of the foregoing.

Seller shall reimburse Buyer, on demand, for any payment involuntarily made, required by law to be made, or with the consent of Seller made by Buyer at any time after the date of the Closing in respect of any liability, obligation or claim to which the indemnity and hold harmless by Seller contained in this section relates.

11. FEES AND COMMISSIONS.

Each Party represents that it has not retained any broker or finder and is not paying, and is not obligated to pay, any finder's fee, commission or other transactional fee in connection with the transactions contemplated by this Agreement. Each Party shall pay its own fees for attorneys, accountants, appraisers or others engaged by it in the course of negotiating or

executing this Agreement and in closing and completing the transactions hereunder provided. Fees for professional advisors retained jointly by the Parties for their mutual benefit shall be equally divided.

12. **HAZARD INSURANCE & CASUALTY LOSS.**

Seller shall maintain current hazard insurance in force on the Assets until the Closing. The risk of loss to the Assets shall pass to Buyer upon delivery of possession of the Assets to Buyer. If an event of casualty occurs to the Assets prior to the Closing, the Buyer may elect to either move to the Closing and accept any insurance proceeds as full satisfaction for the damage to the Assets 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.

13. **BENEFIT.**

All of the terms of this Agreement shall be binding upon, and inure to the benefit of, and be enforceable by, the respective legal representatives of Seller, its successors and assigns, and the successors and assigns of Buyer.

14. **GOVERNING LAW.**

This Agreement shall be construed and enforced in accordance with the laws of the State of Missouri.

15. **COUNTERPARTS.**

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Agreement shall not be binding until executed by all Parties.

16. **NO THIRD PARTY BENEFICIARIES.**

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

17. **ENTIRE AGREEMENT.**

This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they have related in any way to the subject matter hereof.

18. **SUCCESSION AND ASSIGNMENT.**

This Agreement shall be binding upon and inure to the benefit of the Parties named

herein and their respective successors and permitted assigns. Buyer shall be permitted to assign its rights in this Agreement to an affiliated entity that the Buyer controls without need of consent by the Seller by providing written notice to the Seller of such assignment. Other than the foregoing permitted assignment, no Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of Buyer and Seller, said approval not to be unreasonably withheld.

19. **HEADINGS.**

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

20. **NOTICES.**

All notices, demands, consents, requests or other communications required to or permitted to be given pursuant to this Agreement shall be in writing, shall be given only in accordance with the provisions of this Section 20, shall be addressed to the parties in the manner set forth below, and shall be conclusively deemed to have been properly delivered: (a) upon receipt when hand delivered during normal business hours (provided that, notices which are hand delivered shall not be effective unless the sending party obtains a signature of a person at such address that the notice has been received); (b) upon receipt when sent by facsimile if sent between the hours of 8:00 a.m. and 5:00 p.m. (the recipient's time) on a business day to the number set forth below with written confirmation of a successful transmission by the sender's facsimile machine; (c) when sent by electronic mail if (1) identified in the subject line as a notice under this Agreement, (2) sent between the hours of 8:00 a.m. and 5:00 p.m. on a business day to the email address set forth below, and (3) acknowledged as received by the recipient, by reply or separate email, (d) upon the day of delivery if the notice has been deposited in an authorized receptacle of the United States Postal Service as first-class, registered or certified mail, postage prepaid, with a return receipt requested (provided that, the sender has in its possession the return receipt to prove actual delivery); or (e) one (1) business day after the notice has been deposited with FedEx, United Parcel Service or other reliable overnight courier to be delivered by overnight delivery (provided that, the sending party receives a confirmation of actual delivery from the courier). The addresses of the parties to receive notices are as follows:

If to Buyer:

Josiah Cox, President
Central States Water Resources, Inc.
500 Northwest Plaza Drive #500
St. Ann, MO 63074
Facsimile: (314) 238-7201
Email: jcox@cswrgroup.com

With a Copy to:

James A. Beckemeier
The Beckemeier Law Firm, LC
13421 Manchester Road, Suite 103
St. Louis, MO 63131
Facsimile: (314) 965-0127
Email: jim@beckemeierlaw.com

If to Seller:

Joseph Murphy
Woodland Acres Utilities, LLC
379 Brooksvie Circle
Brooks, KY 40109
Phone: (502) 957-3775
Facsimile: _____
Email: wecandigit@aol.com

Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

21. **AMENDMENTS AND WAIVERS.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and Seller. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

22. **SEVERABILITY.**

Any term or provision of this Agreement that is invalid or unenforceable in any situation

in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

23. **EXPENSES.**

Buyer and Seller shall each bear its own costs and expenses (including legal and accounting fees and expenses) incurred in connection with the preparation of this Agreement and activities necessary for the Closing.

24. **CONSTRUCTION.**

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “including” shall mean including without limitation.

25. **INCORPORATION OF EXHIBITS.**

The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

26. **DEFAULT; ATTORNEY’S FEES.**

If either Party shall default in their performance under this Agreement, which default results in the expenditure of attorneys’ fees to enforce the terms of this Agreement or to recover damages for breach of this contract, then the prevailing party shall be entitled to receive their reasonable and actually incurred attorneys’ fees and costs in addition to any other damages that the Party is entitled to recover at law or in equity.

27. **AUTHORITY TO EXECUTE.** Each person whose signature appears hereon represents, warrants and guarantees that he or she has been duly authorized and has full authority to execute this Agreement on behalf of the party on whose behalf this Agreement is executed.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first above written.

SELLER:

**WOODLAND ACRES UTILITIES,
LLC**

By: _____
Name: Joseph Murphy
Title: OWNER

BUYER:

**CENTRAL STATES WATER
RESOURCES, INC.**

By: _____
Josiah Cox, President

EXHIBIT "A"

Service Area Description

EXHIBIT "B"

Description of Land, Improvements thereon, Easements, Rights of Way, Permits and Leases
(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 Closing).

EXHIBIT "C"

Personal Property and Equipment
(meters, tools, devices, mobile work equipment, furniture, fixtures, machinery, supplies, and other tangible items)

Description	Balance of Associated Debt & Lender Information

EXHIBIT "D"

Rights Via Agreements, Contracts, Misc.

(franchise agreements, franchise rights, warranties, contracts, supply contracts, agreements, bonds and/or other financial assurances and customer deposits)

Balance Sheet

Current Assets		
	Cash	
	Accounts Receivable	
	Other Current Assets	
Total Current Assets		
Property, Plant & Equipment, Net		
Misc Long-Term Assets		
	Preliminary Survey & Investigation	
	Investment in Associated Companies	
	Unamortized Debt Expense	
	Receivable from Associated Company	
	Goodwill	
	Intangible Assets	
	Other Long-Term Assets	
Total Misc Long-Term Assets		
Deferred Income Tax Asset		
Total Assets		
Current Liabilities		
	Accounts Payable	
	Notes Payable-Current Portion	
	Other Current Liabilities	
Total Current Liabilities		
Long-Term Liabilities		
	Notes Payable	
	Payable to Associated Companies	
	Contributions in Aid of Construction	
	Other Long-Term Liabilities	
Total Long-Term Liabilities		
Deferred Income Tax Liability		
Capitalization		
	Paid-In Capital	
	Retained Earnings	
	Net Income	
Total Capitalization		
Total Liabilities and Capitalization		

Statement of Income

		YTD
Revenues		
	Operating Revenue	
Total Revenue		
Expense		
	Operations & Maintenance	
	General & Administrative	
	Depreciation & Amortization	
Total Expense		
Operating Income (Loss)		
Other Income (Expense)		
Other Revenue		
Interest		
Income Tax		
Net Income(Loss)		

Bluegrass Water Utility Operating Company, LLC

Sewer Service Tariff

PSC KY NO. _____ 1 _____

Proposed SHEET NO. _____

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

CLASSIFICATION OF SERVICE: DELAPLAIN SERVICE AREA

Applicable to all customers in the vicinity of the interchange of I-75 and Delaplain Road in Scott County, Kentucky, formerly served by Delaplain Disposal Company.

Residential service is available exclusively to residential dwelling units, and for domestic or residential use only. Residential service is available in the Deer Run, Moonlake Estates, Shuttle Run, and Riffton Meadows subdivisions, all in the vicinity of the interchange.

Non-residential service is available to properties other than residential dwelling units and for any use not exclusively domestic or residential. It is available throughout the former service territory of Delaplain Disposal Company, including in the industrial park and commercial service properties at the interchange of I-75 and Delaplain Road. All non-residential customers are subject to the Industrial/Commercial User Policy (including excess treatment fees) instituted by Delaplain Disposal Company and incorporated into this tariff at Sheets ___ to ___.

RECURRING RATES

Residential Flat Rate per unit	\$12.50 per month
Non-residential Rate for commercial/industrial: (non-residential service is metered)	\$8.89 per 1000 gals.

Non-Recurring Charges (applicable to residential and non-residential customers)

Disconnection Fee:	\$500.00
Tap-On Fee	\$500.00

DATE OF ISSUE _____ --/--/2020 _____

DATE EFFECTIVE _____ --/--/2020 _____

ISSUED BY _____

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2020-000297 DATED _____, 2020

Bluegrass Water Utility Operating Company, LLC

PSC KY NO. _____ 1 _____

Sewer Service Tariff

Proposed SHEET NO. _____

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

**CLASSIFICATION OF SERVICE: HERRINGTON HAVEN and WOODLAND ESTATES
SUBDIVISIONS**

Applicable to all customers in the Herrington Haven and Woodland Estates subdivisions in Garrard County, Kentucky, formerly served by Herrington Haven Wastewater Co., Inc. and available for domestic/residential use.

MONTHLY RATES

Residential Flat Rate per unit \$49.66

Non-Recurring Charges

Late Payment Penalty 10%

Re-Connect Fee \$150.00
(when service has been physically disconnected)

Field Collection Fee \$5.00 per trip

A field collection fee shall be assessed when a Bluegrass Water representative makes a trip to the premises of a customer for the purpose of terminating service. The charge shall be assessed if the Bluegrass Water representative actually terminates service, or if, in the course of the trip, the customer pays the delinquent bill to avoid termination. The charge shall also be made if the Bluegrass Water representative agrees to delay termination based on the customer's agreement to pay the delinquent bill on a specific date. This charge will be assessed no more than once during a billing cycle.

DATE OF ISSUE _____ --/--/2020 _____

DATE EFFECTIVE _____ --/--/2020 _____

ISSUED BY _____

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2020-000297 DATED _____, 2020

Bluegrass Water Utility Operating Company, LLC

Sewer Service Tariff

PSC KY NO. 1

Proposed SHEET NO. _____

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

CLASSIFICATION OF SERVICE: EQUESTRIAN WOODS SUBDIVISION

Applicable to all customers in the Equestrian Woods subdivision in Jessamine County, Kentucky, formerly served by Springcrest Sewer Co., Inc.

MONTHLY RATES

Flat Rate per unit	\$27.43
(available for residential/domestic and commercial use)	

Non-Recurring Charges

Late Payment Penalty	10%
Re-Connection Fee	\$25.00
Field Collection Fee	\$5.00 per trip

A field collection fee shall be assessed when a Bluegrass Water representative makes a trip to the premises of a customer for the purpose of terminating service. The charge shall be assessed if the Bluegrass Water representative actually terminates service, or if, in the course of the trip, the customer pays the delinquent bill to avoid termination. The charge shall also be made if the Bluegrass Water representative agrees to delay termination based on the customer's agreement to pay the delinquent bill on a specific date. This charge will be assessed no more than once during a billing cycle.

DATE OF ISSUE --/--/2020

DATE EFFECTIVE --/--/2020

ISSUED BY _____

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2020-000297 DATED _____, 2020

Bluegrass Water Utility Operating Company, LLC

Sewer Service Tariff

PSC KY NO. 1

Proposed SHEET NO. _____

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

CLASSIFICATION OF SERVICE: WOODLAND ACRES SUBDIVISION

Applicable to all customers in the Woodland Acres subdivision in Bullitt County, Kentucky, formerly served by Woodland Acres Utilities, LLC, and available for domestic/residential use.

MONTHLY RATES

Residential Flat Rate per unit \$19.47

Non-Recurring Charges

None

DATE OF ISSUE --/--/2020

DATE EFFECTIVE --/--/2020

ISSUED BY _____

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2020-000297 DATED _____, 2020

Guaranty

This Guaranty, dated as of July 23, 2020, is provided by CSWR, LLC, a Missouri limited-liability company (“the Guarantor”), in favor of the Kentucky Public Service Commission (“the Commission”), relating to obligations of Bluegrass Water Utility Operating Company, LLC (“the Utility”).

PRELIMINARY STATEMENTS

A. The Utility is a limited liability company organized and existing under the laws of the Commonwealth of Kentucky. It is a class C sewer utility, PSC ID# 9004000, subject to regulation by the Commission. The Guarantor is the indirect sole owner of the Utility. The Utility is a manager-managed company; its manager is Central States Water Resources, Inc. (“Central States”), a Missouri corporation. Central States and the Guarantor are affiliated entities.

B. By Order entered August 14, 2019, in Case No. 2019-00104 (“the 8/14/19 Order”), the Commission approved the proposed acquisition of sewer utility assets by the Utility, subject to acceptance of conditions set forth in the Appendix. In an 8/30/19 filing, the conditions were acknowledged and accepted by the Utility and its affiliates, including the Guarantor, and each agreed to be bound by the conditions set forth in the Appendix.

C. By Order entered February 17, 2020, in Case No. 2019-00360 (“the 2/17/20 Order”), the Commission approved the proposed acquisition of sewer utility assets (among other assets) by the Utility, subject to acceptance of conditions set forth in the Appendix. In a 3/6/20 filing, the conditions were acknowledged and accepted by the Utility and its affiliates, including the Guarantor, and each agreed to be bound by the conditions set forth in the Appendix.

D. Condition #5 of both the 8/14/19 Order Appendix and the 2/17/20 Order Appendix requires posting “a guaranteed financial instrument that is the equivalent of two-months of the cost of [the Utility’s] third-party contractors” (“the Guarantee Condition”). Both Orders further state that the Guarantee Condition will be “terminated by further order of the Commission, upon confirmation that Bluegrass Water’s condition is sufficiently strong to ensure the continued provision of sewer service” on the acquired systems.

E. The Guarantor indirectly owns equity interests in the Utility and will benefit from the Utility's fulfillment of the Guarantee Condition, which it has acknowledged and accepted and to which it has agreed to be bound, and from the Commission's approval of such acquisitions that may be proposed in the future. Such benefits have been determined by the Guarantor to be sufficient such that the execution, delivery, and performance of this Guaranty Agreement is necessary or convenient to the conduct of its business.

NOW, THEREFORE, for good and valuable consideration, receipt whereof is hereby acknowledged, and in fulfillment of the Guarantee Conditions to which it and the Utility have agreed to be bound, the Guarantor hereby makes the following representations and warranties to the Commission and hereby covenants and agrees in favor of the Commission as follows:

Guaranty

1. The Guarantor hereby guarantees to the Commission the full and prompt payment and performance when due of two months of the obligation of the Utility to its third-party contractors relating to the Utility's sewer systems subject to the Guarantee Condition.

2. As of the date of this Agreement, (a) the Systems owned and operated by the Utility and subject to the Guarantee Condition are those listed on Exhibit A hereto, and (b) the names and addresses of the Utility's third-party contractors, the elements of the monthly costs therefor, and calculation of the total two-months' costs encompassed in the Guarantee Condition are set out in Exhibit B hereto.

3. The maximum aggregate liability ("MAL") of the Guarantor hereunder shall be One Hundred Forty Thousand, and no/100 Dollars (\$ 140,000.00). If additions or other changes to the Utility's obligations related to the Guarantee Conditions cause the total two months' costs to be more than the stated MAL, the Guarantor will enter into a replacement guaranty agreement with a MAL amount that exceeds the total two months' costs.

4. Subject to the MAL set out in ¶ 3 above: (a) if the Utility acquires additional sewer systems subject to the Guarantee Condition, then any increase to the total two-months' costs to be encompassed in the Guarantee Condition will automatically be included in this Guaranty upon the Utility's closing the acquisition of the subject system, and (b) any addition or

change to the third-party contractors, the elements of the monthly costs therefor, or the total two months' costs will automatically be included in this Guaranty.

5. This Guaranty shall terminate one (1) year after the date hereof; provided, however, that the occurrence of a termination date shall not affect the liability of the Guarantor with respect to obligations created or incurred prior to such date and any late fees, interest, or penalties accruing with respect to such pre-termination obligations. Furthermore, to the extent that the Commission has not completely terminated Guarantee Conditions for the Utility, this Guaranty shall automatically renew for up to five (5) successive one-year periods, unless sixty (60) days prior to the scheduled expiration date for the initial term or any renewal term, the Utility or the Guarantor notifies the Commission in writing that this Guaranty will not be renewed and whether the Guarantor will provide a replacement guaranty agreement that fulfills any remaining Guarantee Condition for the Utility.

6. Any demand for payment on this Guaranty will be by Order entered by the Commission ("Payment Order") giving directions about the payment to be made (*e.g.*, whether full or partial payment and whether to a third-party service provider, the Commission, or some other person, agency, or entity), finding that one or more of the following circumstances have been presented to or come to the attention of the Commission, and concluding that the ordered payment on this Guaranty is necessary to ensure the continuity of sewer service to customers of Bluegrass Water:

a. the filing of a petition for bankruptcy of the Utility (involuntary or voluntary) or the Utility's voluntary assignment (or proposal thereof) for the benefit of creditors pursuant to KRS ch. 379;

b. the Commission has received a statement under oath or affirmation from a third party that it is performing its obligations under a contract with the Utility for service to or for one or more of the Systems (specifically identified in the statement), and that the Utility is in default of its payment obligations to the third party under that contract or has notified the third party that it will be unable to make timely payment under that contract in the future; or

c. the Commission has sought, and the Utility has not provided, adequate assurance that the Utility can maintain continuity of sewer service to its customers on one or more of the Systems.

7. The Guarantor will make the payment(s) as directed in a Payment Order within three (3) business days of actual notice of the Payment Order or by any deadline(s) specified in the Payment Order, whichever is later. The Guarantor may request rehearing or modification of the Payment Order by the Commission or seek court review of the Payment Order, but hereby expressly (a) agrees that it will nonetheless make the payment(s) as directed in the Payment Order by the applicable deadline(s) and (b) acknowledges that a failure to do so will constitute a breach of this Guaranty Agreement despite any otherwise applicable right not to pay or defense to payment during the pendency of any rehearing/modification request, court review, or period during which such rehearing, modification, or review may be sought.

8. With the exception of its right to notice of a Payment Order (see ¶7 above), the Guarantor expressly waives, to the fullest extent permitted by applicable law, each and every notice to which it would otherwise be entitled under principles of guaranty or suretyship law.

Representations, Warranties, and Reports

9. The Guarantor submits to the Commission concurrently herewith (with a request for confidential treatment) its audited consolidated financial statements for the 2019 calendar year. For so long as any Guaranty Conditions remain for the Utility and are met in whole or part by a guaranty from the Guarantor, the Guarantor will submit to the Commission its audited financial statement for each subsequent calendar year on or before April 15 of the succeeding calendar year.

10. The Guarantor represents that its current Total Assets amount exceeds \$ 50 million. The Guarantor warrants that it will keep its Total Assets at a level that equals or exceeds the MAL amount for the duration of this Guaranty. The Guarantor will notify the Commission in writing within 30 days of any period of at least seven (7) days in which the Total Assets are below the promised level and include in the notice a statement of when the Total Assets again met or exceeded the promised level.

11. The Guarantor hereby represents and warrants that: (a) it is duly organized and validly existing in good standing under the laws of the jurisdiction of its organization; (b) it has the power and authority to execute, deliver, and carry out the terms and provisions of this Guaranty and has taken all necessary action to authorize the execution, delivery, and performance of this Guaranty; and (c) it has duly executed and delivered this Guaranty and this Guaranty constitutes the legal, valid, and binding agreement of the Guarantor enforceable in accordance with its terms.

Miscellaneous

12. Notice to the Guarantor under this Agreement shall be in writing delivered to the Guarantor via USPS Registered Mail Restricted Delivery addressed to:

CSWR, LLC
1650 Des Peres Road; Suite 303
St. Louis, MO 63131

Delivery to the Guarantor by the method and at the address specified shall constitute actual notice to the Guarantor.

13. This Guaranty shall in all respects be governed by, and construed and enforced in accordance with the laws (including, without limitation, the conflicts of laws rules) of the Commonwealth of Kentucky.

14. The Guarantor irrevocably consents to the nonexclusive jurisdiction of the Franklin County, Kentucky, Circuit Court in connection with any action or proceeding brought to enforce this Guaranty and waives any objection to the bringing of any such action or proceeding in such court based upon lack of personal or subject matter jurisdiction or improper venue. The Guarantor agrees that any process or other legal summons in connection with any such action or proceeding may be served by mailing a copy thereof by certified mail, or any substantially similar form of mail, addressed to the Guarantor at the address set forth in ¶ 12 above.

IN TESTIMONY WHEREOF, the Guarantor has executed this Guaranty Agreement on the date set forth under its name below.

CSWR, LLC, a Missouri limited liability company


Witness

By: 

Josiah Cox, President of its manager, Central States Water Resources, Inc.

Date: 07/23/20

STATE OF MISSOURI)
) SS:
COUNTY OF St. Louis)

Subscribed, sworn to, and acknowledged this 23rd day of July, 2020, before me, a Notary Public, in and before said County and State.

My Commission expires 5/4/2024.


NOTARY PUBLIC

{seal} 

SYSTEMS

As of July 1, 2020, sewer systems owned and operated by Bluegrass Water Utility Operating Company, LLC (PSC ID# 9004000) and subject to the Guarantee Condition are as follows:

System Name	County	Acquisition Approval In
Kingswood	Bullitt	2019-00104
Lake Columbia	Bullitt	2019-00104
Fox Run	Franklin	2019-00104
Airview	Hardin	2019-00104
Brocklyn	Madison	2019-00104
Golden Acres	Marshall	2019-00104
Great Oaks	McCracken	2019-00104
Timberland	McCracken	2019-00360
River Bluffs	Oldham	2019-00360
LH Treatment	Scott	2019-00104
Persimmon Ridge	Shelby	2019-00104

Pro-Forma Balance Sheet - Bluegrass Water Utility Operating Company, LLC

	Bluegrass Water UOC	Herrington Haven Sewer Acquisition	Delaplain Sewer Acquisition	Springcrest Sewer Sewer Acquisition	Woodland Acres Sewer Acquisition	Pro Forma Bluegrass Water UOC Post Acquisition
ASSETS						
Utility Plant In Service:						
Total Plant in Service*	1,979,067 91	\$				\$ 2,868,067 91
Construction Work in Progress**	\$ 1,922,955.40					\$ 3,448,655.40
Utility Plant Acquisition Adjustment	\$ 90,171 27	\$				\$ 90,171 27
Less: Depreciation Reserve	\$ (1,271,681 26)	\$				\$ (1,271,681 26)
Net Plant In Service	\$ 2,720,513 32	\$				\$ 5,135,213 32
Non-Utility Property						
Current Assets:						
Cash and Cash Equivalents	\$ 170,157 91	\$				\$ 170,157 91
Other	\$ 6,930.84	\$				\$ 6,930.84
Current Assets	\$ 177,088.75	\$				\$ 177,088.75
Deferred Debits:						
Deferred Debits	\$ -	\$				\$ -
Other Investments and Long-Term Assets						
Total Assets	\$ 2,897,602 07	\$				\$ 5,312,302 07
LIABILITIES AND CAPITALIZATION						
Company Capitalization:						
Common Stock Equity, Net	\$ 1,546,067 37	\$				\$ 2,632,682 37
Long-term Debt (including current maturities)		\$				\$ 1,328,085 00
Payable to Associate Comp.	\$ 1,297,876.44					\$ 1,297,876.44
Retained Earnings	\$ (401,985 95)					\$ (401,985 95)
Company Capitalization	\$ 2,441,957 86	\$				\$ 4,856,657 86
Current Liabilities:						
Current Liabilities	\$ 416,667.65	\$				\$ 416,667.65
Deferred Credits:						
Deferred Credits	\$ -	\$				\$ -
Contributions in Aid of Construction	\$ 38,975.56					\$ 38,975 56
	\$ -					\$ -
Total Capitalization and Liabilities	\$ 2,897,601 07	\$				\$ 5,312,301 07

Pro-Forma Income Statement - Bluegrass Water Utility Operating Company, LLC

						Pro Forma
	Bluegrass Water UOC	Herrington Haven Sewer Acquisition	Delaplain Sewer Acquisition	Springcrest Sewer Sewer Acquisition	Woodland Acres Sewer Acquisition	Bluegrass Water UOC Post Acquisition
Operating Revenues	\$ 838,068.00	\$ 11,068.00	\$ 349,980.00	\$ 13,824.00	\$ 24,224.00	\$ 1,237,164.00
Operating Expenses:						
Operating and Maintenance Expenses	\$ 1,311,612.00	\$ 9,597.45	\$ 158,367.45	\$ 20,156.55	\$ 49,910.55	\$ 1,549,644.00
Depreciation and Amortization Expenses	\$ 21,684.00	\$ 595.00	\$ 28,208.00	\$ 8,916.00		\$ 59,403.00
Taxes, Other than Income Taxes		\$ 192.00	\$ 11,442.00	\$ 127.00	\$ 353.00	\$ 12,114.00
Operating Expenses	\$ 1,333,296.00	\$ 10,384.45	\$ 198,017.45	\$ 29,199.55	\$ 50,263.55	\$ 1,621,161.00
Net Operating Income	\$ (495,228.00)	\$ 683.55	\$ 151,962.55	\$ (15,375.55)	\$ (26,039.55)	\$ (383,997.00)
Other Income and Deductions:						
Total Other Income and Deductions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income (Loss) Before Income Taxes	\$ (495,228.00)	\$ 683.55	\$ 151,962.55	\$ (15,375.55)	\$ (26,039.55)	\$ (383,997.00)
State Income Taxes	\$ -	\$ 175.00	\$ 112.00	\$ 175.00	\$ -	\$ 462.00
Federal Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ (495,228.00)	\$ 508.55	\$ 151,850.55	\$ (15,550.55)	\$ (26,039.55)	\$ (383,535.00)

*Reflects Purchase Price or Depreciated Original Cost Engineering Value
 **Estimated total of Engineering & Permitting Costs at Time of Acquisition