

RESOLUTION
LCRA Board of Directors
November 21, 2011

WHEREAS, in November 2010, the Board directed staff to seek a buyer for LCRA's water and wastewater utility systems based on the following criteria:

- ability and commitment to provide reliable and quality utility services;
- ability to invest capital for additional and/or necessary water and wastewater utility infrastructure;
- commitment to meet applicable regulatory requirements; and
- willingness to compensate LCRA for its investment in water and wastewater utility systems.

WHEREAS, the Board authorized staff to sell certain water and wastewater utility systems and instructed staff to retain other water and wastewater utility systems pursuant to resolutions adopted at the Board's September, October and November meetings;

WHEREAS, the Board has yet to authorize the sale of the remaining water and wastewater utility systems not addressed in resolutions previously approved;

NOW, THEREFORE BE IT RESOLVED, that the Board authorizes the general manager or her designee to negotiate for the period beginning immediately and ending February 21, 2012, and if successful, to execute operations, option, purchase and sale agreements based on the revised proposal received as of November 20, 2011, from Corix Infrastructure, Inc., and the Memorandum of Understanding ("MOU") attached hereto for those water and wastewater utility systems specifically identified in the MOU.

FURTHER RESOLVED, that the Board authorizes the general manager or her designee to execute the attached MOU and do all things necessary to accomplish the

conveyance of water and wastewater utility systems specifically identified in the MOU to Corix Infrastructure, Inc., if operations, option, purchase and sale agreements have been fully executed by February 21, 2012.

FURTHER RESOLVED, that the Board declare the water and wastewater utility systems identified in the MOU for sale to Corix Infrastructure, Inc., as no longer necessary or convenient or of beneficial use to the business of LCRA, such declaration to be contingent upon the closing of the sale of said systems in accordance with this Resolution.

**MEMORANDUM OF UNDERSTANDING
FOR ACQUISITION OF WATER AND WASTEWATER SYSTEMS
FROM THE LOWER COLORADO RIVER AUTHORITY**

This Memorandum of Understanding for Acquisition of Water and Wastewater Systems from the Lower Colorado River Authority (the "MOU") is executed by Corix Infrastructure Inc., ("Bidder") and delivered to the Lower Colorado River Authority ("LCRA") on, and is effective as of, November 21, 2011 ("Effective Date").

1. LCRA proposes to sell, subject to the right of first refusal by the City of Lometa of its water and wastewater systems, and Bidder (acting on its own or through an affiliate of Bidder) proposes to purchase, the water and/or wastewater utility systems (the "Assets") described in the lists below.

- a. The water and/or wastewater utility systems that LCRA proposes to sell to Bidder are:

- i. Hill Country included Retail Systems:

1. Lake Buchanan Water System;
 2. Spicewood Beach Water System;
 3. Smithwick Water System;
 4. Ridge Harbor Water System;
 5. Ridge Harbor Wastewater System;
 6. Paradise Point Water System;
 7. Sandy Harbor Water System;
 8. Quail Creek Water System;
 9. Lometa Water System
 10. Lometa Wastewater System
 11. Tow Village Water System (**excludes existing groundwater supply and distribution assets**);
 12. Bonanza Beach Water System (**excludes existing groundwater supply and distribution assets**); and,

- ii. Southeast Region included Retail Systems:

1. Camp Swift Wastewater System;
 2. McKinney Roughs Wastewater System;
 3. Alleyton Water System;
 4. Alleyton Wastewater System;
 5. Matagorda Dunes Water System; and,
 6. Matagorda Dunes Wastewater System.

- b. The following are water and/or wastewater utility systems for which both Bidder and LCRA will have options, exercisable during the period up to December 31st, 2016, for Bidder to purchase and LCRA to sell to Bidder on terms to be mutually agreed and set forth in an Option Agreement:

- i. Windmill Ranch Wastewater System; and,
 - ii. Windmill Ranch Raw Water System.

- c. The following are water and/or wastewater utility systems for which both Bidder and LCRA will have options, exercisable during the period up to December 31st, 2014, for Bidder to purchase and LCRA to sell to Bidder on terms to be mutually agreed and set forth in an Option Agreement:

- i. West Travis County Water System; and,
 - ii. West Travis County Wastewater System.

- d. The following are water and/or wastewater utility systems for which LCRA grants Bidder a right of first refusal ("ROFR") to acquire the utility systems;
 - i. Windmill Ranch Wastewater System; provided however that the ROFR to acquire this system shall not be applicable to any offer to purchase the system by the customers of the system;
 - ii. Windmill Ranch Raw Water System; provided however that the ROFR to acquire this system shall not be applicable to any offer to purchase the system by the customers of the system;
 - iii. West Travis County Water System; provided however that the ROFR to acquire this system shall not be applicable to any offer to purchase the system by the Central Texas Utility Development Corporation ("UDC") or successor public entity thereto; and,
 - iv. West Travis County Wastewater System; provided however that the ROFR to acquire this system shall not be applicable to any offer to purchase the system by the UDC or successor public entity thereto.
2. LCRA proposes to contract with Bidder on terms to be mutually agreed to operate the following systems (the "Systems") each for a term ending: (i) if LCRA sells a System to Corix or to another purchaser, the date by which the purchaser assumes operations of such System; or, (ii) dates to be mutually agreed upon for Systems not subject to sale to another purchaser pursuant to LCRA Board resolutions approved on or prior to November 21, 2011:
 - i. Hill Country Retail Systems;
 - ii. Southeast Region Retail Systems;
 - iii. West Lake Hills Wastewater System;
 - iv. Rollingwood Wastewater System;
 - v. Tahitian Village Wastewater System;
 - vi. Windmill Ranch Wastewater System; and,
 - vii. Windmill Ranch Raw Water Transport System.

In addition, the parties to this MOU will negotiate in good faith for operation of other systems owned by LCRA in the event sales of other systems by LCRA are not completed as contemplated in LCRA Board resolutions approved prior to November 21, 2011.

3. Bidder hereby proposes to purchase the Assets pursuant to terms to be negotiated in a Purchase Agreement and enter into a separate Option Agreement on terms to be negotiated to reflect the options and ROFRs outlined in sections 1(b)-1(d) above. This MOU shall remain in effect until 5:00 p.m., Central Time, February 21st, 2012 (the "Expiration Date") unless otherwise extended by agreement in writing executed by both parties.
4. For and in consideration of \$10.00 cash in hand paid by Bidder to LCRA, the receipt and sufficiency of which is hereby acknowledged, LCRA agrees that Bidder will be deemed to be the exclusive Bidder with whom LCRA will negotiate for the sale (including the options to purchase and to sell and the ROFRs described in sections 1(b)-1(d) above) of the Assets and the operation of the Systems for a period ending upon the Expiration Date (the "Negotiation Period").
5. By its acceptance of this MOU, LCRA will have granted to Bidder the exclusive right to negotiate toward a Purchase Agreement, Option Agreement and/or Operations Agreements for the Assets and Systems specified in this MOU during the Negotiation Period. LCRA and Bidder agree to negotiate in good faith. Notwithstanding any other provision of this MOU, each party to this MOU understands

and agrees that unless and until a definitive Purchase Agreement, Option Agreement and/or Operations Agreements are executed and delivered, neither party is under any obligation, express or implied, to complete any transaction, including the sale or purchase of the Assets or the operation of the Systems, and any such party may at any time and for any reason or no reason determine not to proceed with further consideration of any transaction, including the sale or purchase of the Assets or operation of the Systems.

6. LCRA, its agents and consultants are governed by the Texas Public Information Act, and all documents provided by Bidder to LCRA, its agents or consultants are subject to the Texas Public Information Act. In the event LCRA receives a written request for information received from Bidder, LCRA will notify Bidder in writing promptly following LCRA's receipt of the request in order to allow Bidder to assert any exceptions from disclosure under the Texas Public Information Act to which Bidder may be entitled. Bidder acknowledges and agrees that if LCRA is required to release information received from Bidder to the public in accordance with orders of the Texas Attorney General or courts of the State of Texas, that LCRA may comply with such orders.
7. This MOU will expire automatically on February 21st, 2012, unless extended by written agreement executed by both parties. Upon expiration of this MOU, subject to the provisions of any definitive Purchase Agreement, Option Agreement and/or Operations Agreements, (a) the parties to this MOU will owe no obligation to one another afterward in respect thereof, (b) each party will be deemed to have fully released and discharged the other from any claims, rights or causes of action that such party might otherwise have or assert against the other and (c) LCRA will be entitled to sell the Assets to any third party and make any arrangements in respect of the operation of the Systems. If the parties enter into a definitive Purchase Agreement, Option Agreement and/or Operations Agreements within the Negotiation Period, said definitive Purchase Agreement, Option Agreement and Operations Agreements shall replace and supersede this MOU to the extent applicable.

ACCEPTED AND AGREED:

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CORIX INFRASTRUCTURE, INC.

**LOWER COLORADO RIVER
AUTHORITY**

By: _____
Name: _____
Title: _____

LCRA General Manager