

**KING CREEK WATER SUPPLY CORPORATION
BOARD OF DIRECTORS MEETING MINUTES**

Date: July 21, 2023/Time: 10:10am-11:35am/Location: 148 CR 1605, Clifton, TX 76634
(Kenneth Eubank's home)

Meeting called by: Kenneth Eubanks	Attendees: Kenneth Eubanks, Pres., Pam Kellan, Sec., Bruce Roebuck, Ron White Shauna Lathem
Type of Meeting: Special meeting called to discuss potential buy of KCWSC with SWWC	Unable to Attend: Craig Hoffman, VP Robin Hamilton, Treas.
Facilitator: Kenneth Eubanks	Special Guest from SWWC: Randy Young
Note Taker: Kenneth Eubanks	Director of Corporate Development and Terry Bowers-Operations Director
Time Keeper: Kenneth Eubanks	

Meeting called to order @10:10am with a quorum

1. Introduction and Welcome

Brief introductions were given by Randy and Terry from South West Water Corporation (SWWC) and the KCWSC's Board. The meeting was informal and open to discussion.

2. SWWC's Interest and Vision

Randy and Terry gave some background into the corporation and operations. SWWC began in California and moved its headquarters to Texas. Currently SWWC has more than 70,000 water connections in Texas. SWWC is growing its presence across America and is taking over operations from a Canadian company this year which will make it the 4th largest water utility company in the U.S. SWWC is fully staffed with the front-office and back-office personnel in Engineering, Finance, H.R. Compliance, Operations and Legal Departments. SWWC has 260 employees in Texas, which 190 are directly in the field servicing the water systems. SWWC is growing and continues to hire more employees to meet customer service and satisfaction. SWWC offers 24hr/7-day customer service with field technicians available to respond to emergency calls. Randy explained that SWWC is interested in KCWSC for several reasons. It is in close proximity to other systems owned and operated by SWWC. Randy and Terry both stated that they are impressed with the physical and operational condition of our water system. SWWC investment goal into water systems is long-term of 50 years or more. They explained that the SWWC vision and strategy is supporting retirement account investments backed by J.P. Morgan Chase. SWWC does not purchase a water system for the purpose of "flipping".

3. KCWSC's Background and Assets

Kenneth provided SWWC with a printed presentation of an overview of KCWSC's history, accomplishments, current operational status, water supply infrastructure, assets, TCEQ exceptions and waivers and customer base demographics.

4. Regulatory and Legal Considerations

Discussion of legal or regulatory implications related the potential sale took place. Randy and Terry explained that the Texas Public Utility Commission would be involved and have final review over any transfer of ownership. Terry explained that any waivers and/or exceptions that KCWSC has from the TCEQ would not transfer to SWWC, or any other potential buyer. Terry stated that SWWC's goal would be to eliminate the need for such waiver and exceptions from TCEQ.

5. Synergy and Benefits

Kenneth explained that KCWSC struggles with Membership participation, limited expertise and know-how and the challenges with competing with larger systems and municipalities for available funding. Kenneth stated that the Board is most interested in sustaining the high quality of water and service that KCWSC has built over its history. Terry explained that the

benefits to both SWWC and KCWSC are in the close proximity to the other systems that SWWC owns and more importantly the economy of scale that SWWC offers. Because SWWC has over 70,000 connections, it is able to use that scale of size to its advantage for funding while keeping the overall costs low. Construction and maintenance are spread across the operations so that no one water system has to absorb the cost alone.

6. Concerns and Risks

No significant concerns or risks were identified or discussed.

7. Timeline and Next Steps

Terry explained that the process involved with the selling is involved and would take at least a year or more to complete. Kenneth stated that the Board would have to present to the Membership for their approval of any offers to purchase from SWWC. Randy explained the process that would transpire if KCWSC decides to pursue selling. SWWC would send KCWSC a non-binding Letter-of-Intent to purchase that would include the proposed purchase price. If KCWSC decides to move forward, then SWWC would perform a formal review of the system, after which a binding formal offer will be made. If KCWSC accepts the formal offer, then KCWSC and SWWC make the formal filings with the Texas PUC for their review and approval. The PUC holds all requests of transfer for 4 months before taking any actions. Kenneth stated the KCWSC Board would have to schedule a meeting and make the decision to move forward or not.

8. Q&A and Closing Remarks

Question: Shauna asked if SWWC has any plans for expansion of the system for housing developments.

Answer: Terry stated that SWWC is not a real estate developer. Any expansion would be driven from the land owners and not SWWC.

Question: Pam asked about the rates and what could be expected if SWWC was to purchase KCWSC.

Answer: Terry explained that SWWC's rates are more than the current KCWSC rates and an increase would be foreseeable. Terry said the average base rate is about \$45/month with a tiered water rate structure. Kenneth explained how the KCWSC's rates are a combination of membership, service fee and water rates. With the base amount of \$31 and the \$12 service fee that KCWSC current monthly bill is in line with SWWC's rate. Terry added that since KCWSC already was operating under a tiered rate structure based on water usage that is good in that the KCWSC's customers are familiar with the billing structure.

Question: Kenneth asked if there would be any issues or concerns if KCWSC sought legal counsel, due to KCWSC does not have the knowledge or experience in the sale of a business.

Answer: Randy and Terry both agreed that it would be beneficial for KCWSC to get legal counsel and that would make those efforts much easier for both parties.

Question: Pam asked Randy and Terry if they have purchased any Non-Profit companies due to it being a potential legal issue with a "non-profit" selling to a "for-profit business", as brought up by a TRWA attorney.

Answer: Terry indicated that the law/complexity had changed just last year and should not be an issue.

Question: Kenneth asked what brand of meters SWWC prefers and if it would be advantageous for KCWSC to install new meters, since they are due for replacement.

Answer: Randy suggested that KCWSC should hold off on replacing meters and let the purchasing company handle the meter replacement.

9. Adjourn Meeting

The meeting was adjourned at 11:35 am and followed up with a tour of the production plant.


Kenneth Eubanks, Pres.


Pam Kellan-Secretary