

SETTLEMENT AGREEMENT

This Settlement Agreement (the "Agreement") is made and entered into by and between the City of Wimberley ("City") and Aqua Utilities, Inc., d/b/a Aqua Texas, Inc. ("Aqua Texas"), collectively referred to as the "Parties," for purposes and considerations set forth herein. This Agreement is effective on September 30, 2015 (the "Effective Date"), which is the date of execution by the City.

RECITALS

On May 13, 2014, the City submitted an application with the Texas Commission on Environmental Quality ("TCEQ") to amend its Texas Pollutant Discharge Elimination Permit No. WQ0013321001 ("Permit No. 13321001") to expand the treatment capacity of its wastewater treatment plant to 75,000 gallons per day ("City's Application"), and to allow the City to discharge the treated effluent to Deer Creek. The City's proposed 75,000 gallon per day wastewater treatment plant, which is authorized to discharge treated wastewater pursuant to Permit No. 13321001, is referred to in this Agreement as the "City's WWTP."

The City's WWTP will be constructed to provide service to the area described as the "proposed service area" on Attachment K of the City's Application ("Service Area") and the City will construct a collection system in the Service Area to collect wastewater and transport it to the City's WWTP for treatment.

Aqua Texas owns and operates a wastewater treatment plant in Woodcreek, Texas. Aqua Texas' wastewater treatment plant is authorized to discharge its treated effluent via irrigation pursuant to Texas Land Application Permit No. WQ0013989001 (Aqua Texas' Woodcreek WWTP").

Aqua Texas requested a contested case hearing regarding the City's Application to amend its Permit No. 13321001 and was admitted as a party in the administrative hearing before the State Office of Administrative Hearings ("SOAH"), TCEQ Docket No. 2015-0482-MWD, SOAH Docket No. 582-15-3337.

On August 21 and 24, 2015, the Parties mediated their disputes over Permit No. 13321001, and through that process and additional negotiations, the Parties reached agreement on the terms provided for in this Agreement.

AGREEMENT

In consideration of the mutual promises, agreements, and covenants contained in the agreement, including the recitals above, and other good and valuable consideration including the settlement of disputed claims, the receipt and sufficiency of which are hereby acknowledged, City and Aqua Texas hereby agree to the following:

1. The City hereby stipulates to the following:

- a. City's WWTP will be designed to serve only the Service Area.
 - b. City's WWTP and collection system in the Service Area are not and will not be designed with sufficient capacity to fulfill Aqua Texas wastewater treatment needs either on a wholesale basis from Aqua Texas' Woodcreek WWTP or otherwise from Aqua Texas' retail sewer utility service areas located in Hays County.
 - c. City's WWTP and collection system in the Service Area are unavailable and will remain unavailable to treat Aqua Texas wastewater and fulfill Aqua Texas wastewater needs.
 - d. City does not intend to expand the City's WWTP in the future. If the City should expand in the future, the Parties agree that such additional capacity is also not available to Aqua Texas.
 - e. City understands based on representations from Aqua Texas that Aqua Texas currently has capacity to provide service to the Service Area, and that City retains the right to request service from Aqua Texas in the future.
 - f. City agrees that this Agreement may be provided to the TCEQ as part of any application by Aqua Texas for renewal or amendment to Aqua Texas' Woodcreek WWTP wastewater discharge permit, and that for those purposes, this document shall constitute a denial of any request or inquiry for service from the City's WWTP that would have been submitted by Aqua Texas in connection with applicable regionalization and need requirements.
 - g. City stipulates that Aqua Texas' Woodcreek WWTP is a "regional system" as that term is used in Chapter 26, Subchapter C of the Texas Water Code.
2. In exchange for the stipulations made by the City, Aqua Texas agrees to withdraw as a party from the contested case hearing docketed as SOAH Docket No. 582-15-3337 within 5 days after the Effective Date of this Agreement and to not pursue any additional legal action before any state or federal agency or before any court regarding the City's Application.
3. This Agreement and the stipulations provided by the City in this Agreement are not assignable without first obtaining the written consent of all Parties, except that Aqua Texas may assign this Agreement to any subsidiary of Aqua America, Inc.
4. This Agreement contains the entire agreement of the Parties with respect to the matters contained herein and may not be modified or terminated except upon the provisions hereof or by mutual written agreement of the Parties hereto or their respective permitted and approved successors and assigns.
5. This Agreement shall be construed in accordance with the laws of the State of Texas and shall be performable in Hays County, Texas and the Parties hereby submit to the jurisdiction of the courts of that County, and hereby agree that any such court shall be a proper forum for the determination of any dispute arising hereunder.

6. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective permitted and approved successors and assigns.

7. The individuals executing this Agreement on behalf of the respective Parties below represent to each other and to others that all appropriate and necessary action has been taken and authorize the individuals executing this Agreement to do so for and on behalf of the Party for which his or her signature appears, that there are no other Parties or entities required to execute this Agreement in order for the same to be an authorized agreement on the Party for whom the individual is signing this Agreement, and that each individual affixing his or her signature hereto is authorized to do so, and such authorization is valid and effective on the date hereof. The Parties agree to provide the other Parties with written evidence that the individual affixing his or her signature to this Agreement is authorized to do so.

8. This Agreement is executed by the Parties hereto without coercion or duress and for substantial consideration, the sufficiency of which is forever confessed. Each signatory represents that this Agreement has been read by the Party for which this Agreement is executed, and that such Party has had an opportunity to confer with its counsel.

9. Any notice provided for under the terms of this Agreement by any Party to the Agreement shall be in writing and may be effected by registered or certified mail, return receipt requested, addressed and delivered to the following:

To City: City Administrator of the City of Wimberley
City of Wimberley
PO Box 2027
Wimberley, TX 78676

To Aqua Texas: Robert L. Laughman
President
Aqua Utilities, Inc.
1106 Clayton Lane, Suite 400W
Austin, Texas 78723

Each party may change the address to which notice may be sent by giving notice of such change to the other parties in accordance with the provisions of this Agreement.

10. This Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes.

11. This Agreement is indivisible and non-severable. If any provision of this Agreement is held to be invalid, illegal, or unenforceable by a court or other tribunal of competent jurisdiction, the Parties shall resume negotiations in an effort to reach a new agreement.

AQUA UTILITIES, INC.



Robert L. Laughman, President
Aqua Utilities, Inc.

Date: 9/28/2015

ACKNOWLEDGEMENT

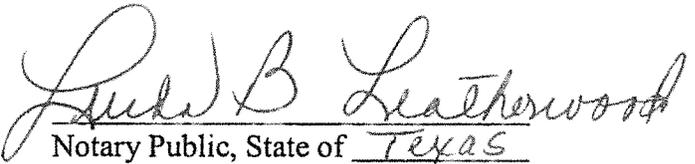
STATE OF TEXAS

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COUNTY OF HAYS

THIS INSTRUMENT was acknowledged before me on this 28th day of Sept.,
2015, by Robert L. Laughman, as President of Aqua Utilities,
Inc., on behalf of the Aqua Utilities, Inc.

(SEAL)



Notary Public, State of Texas

LINDA B Leatherwood
Printed/Typed Name of Notary

My Commission Expires: 1-21-2017

