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May 19, 2026

VIA Electronic Filing to the Office of Commission Clerk

Florida Public Service Commission  
Office of Commission Clerk  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850  
Attn: Daniel Dose, Senior Attorney

Re: Docket 20250136-WS – Petition for an acquisition adjustment for a non-viable utility, by CSWR-Florida Utility Operating Company, LLC.

Dear Mr. Dose:

CSWR-Florida Utility Operating Company, LLC (“CSWR-Florida”) submits the following responses to Staff’s April 23, 2026 Third Data Request.

1. What are the annual operation and maintenance (O&M) savings, if any, Rolling Oaks Utilities, Inc. (Rolling Oaks), a has experienced resulting from Central States Water Resources – Florida’s (CSWR-FL) acquisition for the first three years (by year) of its ownership as a percentage of Rolling Oaks’ pre-acquisition O&M cost?<sup>1</sup>

**Response: Please see the Attachment “DR 1 – Rolling Oaks Operating Expenses” for a comparison of the total operating and maintenance (O&M) expenses incurred by CSWR-Florida for the first three years of ownership.**

2. What are the annual capital cost-related savings, if any, Rolling Oaks has experienced resulting from CSWR-FL’s acquisition for the first three years (by year) of its ownership as a percentage of Rolling Oaks’ pre-acquisition capital cost?<sup>2</sup>

**Response: None.**

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<sup>1</sup> For the purposes of this data request, Rolling Oaks’ pre-acquisition O&M cost period is the full calendar year preceding the year of acquisition.

<sup>2</sup> For the purposes of this data request, Rolling Oaks’ pre-acquisition capital cost period is the full calendar year preceding the year of acquisition.



3. Is there any specific tax benefit(s) CSWR-FL (or parent) will avail itself of associated with approval of the acquisition adjustment in this case? If so, please detail the specific benefit(s) and any associated value amount.

**Response: The Company is not aware of any tax benefit associated with approval of the acquisition adjustment in this case.**

4. Please show the complete calculation of the estimated customer bill impacts on a consolidated CSWR-FL basis and non-consolidated basis, i.e., stand-alone company basis.

**Response: Please see Attachment “DR 4 - Rolling Oaks Bill Impacts.”**

Please refer to CSWR-Florida Utility Operating Company, LLC (CSWR-FL or Utility) *response to Staff’s First Data Request*, filed February 18, 2026 for the following requests.<sup>3</sup>

5. Please provide a detailed description of all negotiations that led to the final purchase price. Your response should include, at a minimum:
  - a. Identification of the party that established the initial proposed purchase price (e.g., the seller’s asking price or CSWR-FL’s initial offer).
  - b. Each subsequent offer and counteroffer exchanged between the parties.
  - c. The rationale for any changes in price during negotiations.
  - d. An explanation of how the final purchase price was determined.
  - e. To the extent available, please provide supporting documentation for each stage of the negotiation process.

**Response: CSWR-Florida executed the purchase agreement with the seller of the Rolling Oaks system on December 30, 2021, more than four (4) years prior to this request. However, the Company completed a review and was unable to locate any documentation regarding negotiations that led to the final purchase price agreed upon for the system.**

**CSWR-Florida notes that negotiations with potential sellers are generally conducted through verbal discussions rather than through a series of formal written offer letters. In evaluating a prospective acquisition and establishing a purchase price, the Company considers multiple factors, including but not limited to publicly available**

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<sup>3</sup> Document No. 01170-2026, filed on February 18, 2026.

**regulatory filings, compliance and enforcement history, site visits, observed infrastructure condition, anticipated capital investment requirements, and identified operational risks.**

**Following completion of its initial evaluation, CSWR-Florida communicates its pricing position to the seller. This position reflects the Company's assessment of the system's existing condition, near-term capital needs, and the risks to be assumed upon acquisition. Once the final purchase price is verbally agreed upon between CSWR-Florida and the seller, a Purchase and Sale Agreement is prepared and executed. Please see Exhibit 1 of the Petition for a copy of the executed Purchase and Sale Agreement for the Rolling Oaks acquisition.**

6. In response to Question 29 of Staff's First Data Request, the Utility stated that there were no documented communications between Utility executives/Utility staff and the acquired utility regarding acquisition premium justification. Please clarify whether this response includes communications related to purchase price negotiations.

**Response: The Company's response to Question 29 of Staff's First Data Request only addressed communications concerning acquisition premium justification. CSWR-Florida is unable to provide any documentation regarding negotiations that led to the final purchase price agreed upon for the system. Please refer to the response to Data Request No. 5 for more details on CSWR-Florida's purchase price negotiations.**

- a. If communications related to purchase price negotiations were excluded from the Utility's prior response, please provide all such communications between Utility executives/Utility staff and the acquired utility concerning the negotiation of the purchase price.

**Response: None.**

- b. If no communications exist regarding purchase price negotiations, please explain in detail whether any negotiations occurred and, if so, why no documentation exists.

**Response: Purchase price negotiations occur through direct communication between CSWR-Florida and the seller of the system. These informal communications happen through verbal discussions, either over the phone or in person, rather than a series of formal written offer letters.**

- c. If no negotiations occurred, please explain why the purchase price was accepted without further negotiation.

**Response: Please see the response to part b.**

Please refer to CSWR-Florida's Petition, page 31, section 3E. Ability to attract capital at reasonable cost for the following requests.

7. Please explain CSWR-Florida's understanding of the term "ability to attract capital at reasonable cost" as described in Rule 25-30.0371(3)(a)5., Florida Administrative Code. In the explanation, please define the term "reasonable."

**Response:** CSWR-Florida understands the term "ability to attract capital at reasonable cost" as being able to obtain equity and/or debt financing that can provide the capital needed to acquire, improve, operate, and maintain water and wastewater systems. The definition of "reasonable" is being able to find the balance that allows the Company to repay the obtained capital while keeping rates fair and justified for the customers. This balance is important because being able to attract and ultimately acquire capital has allowed CSWR-Florida to make major improvements to the Rolling Oaks system that brought the system back into compliance with the FDEP while also providing improved operations and maintenance to ensure safe and reliable service to customers of a system that was deemed non-viable before the Company acquired the system. CSWR-Florida has been doing this while continuing to charge the non-compensatory adopted rates previously in place for these distressed systems. As a result, CSWR-Florida has incurred approximately \$5 million in net operating losses through December 31, 2025. If CSWR-Florida wants to purchase small, distressed water and wastewater systems, such as Rolling Oaks, acquiring capital is necessary.

CSWR-Florida has been able to acquire equity capital through its affiliation in CSWR, which is necessary to make required improvements and upgrades to the Rolling Oaks system in substantial amounts. Whereas the financial results in the years prior to CSWR-Florida's acquisition suggest the prior ownership's inability or unwillingness to access capital to improve the system for the benefit of the customers. CSWR-Florida has received a capital investment of more than \$71 million from CSWR.

Beyond its access to equity capital, CSWR-Florida expects, upon the conclusion of its pending rate case, to be able to attract debt capital. To date, CSWR-Florida lacked the net operating income necessary to service debt. Upon the completion of its rate case, CSWR-Florida expects to be authorized rates sufficient to pay its operating costs and to service a certain level of debt.

8. Does CSWR (CSWR-Florida's parent company) have a credit rating? If yes, please provide a description.

**Response:** CSWR does not have a credit rating.

9. On page 31 of the Petition, CSWR-Florida mentions a \$325 million debt facility obtained by CSWR.
- a. Please provide a copy of the documents describing the terms, including the interest rate, associated with the \$325 million debt facility.

**Response: Please see Attachment “DR 9 – Loan Agreement” for the pages of the loan agreement that include the interest rate.**

- b. Please describe in detail of how much of the \$325 million debt facility will be allocated to CSWR-Florida. Please include specific dollar amounts as well as percentages of the total.

**Response: As of March 31, 2026, approximately \$14 million of the \$325 million debt facility has been allocated to CSWR-Florida, representing approximately 4.3 percent of the total facility.**

10. Please refer to witness Thies direct testimony in Docket No. 20250052-WS. On page 29, witness Thies testified that CSWR-Florida has incurred \$3.94 million of net operating losses since January 2025. Have those losses grown, and if so, what is the net operating losses as of March 31, 2026?

**Response: Yes, as of March 31, 2026, CSWR-Florida’s net operating losses have grown to \$4.9 million for all currently owned systems.**

11. If CSWR-Florida is incurring net operating losses, please describe how CSWR-Florida is able to pay the interest expense on its debt.

**Response: Like all its other operating costs, any interest expense incurred by CSWR-Florida is paid through funding support provided by its parent company, which provides the liquidity necessary to meet operating obligations, including the timely payment of interest on outstanding debt.**

Please refer to paragraph 13 on page 25 of the Petition. Here it states that CSWR-Florida plans to pursue debt financing from non-affiliated commercial sources that would allow it to balance its internal capital structure.

12. Please define the term “to balance the capital structure” as stated in the paragraph.



**Response: This refers to CSWR-Florida's goal of moving toward a capital structure consisting of approximately 50% debt and 50% equity through the use of non-affiliated commercial debt financing.**

13. Please describe when CSWR-Florida plans to obtain its own debt.

**Response: CSWR-Florida expects to obtain its own debt once its operations are able to support debt service through positive net operating income.**

14. Please explain how CSWR-Florida will potentially attract capital at a reasonable cost given it has invested more than \$71 million without an apparent return on that investment coupled with net operating losses.

**Response: As of the end of the test year in the pending rate case, CSWR-Florida has been unable to source any debt using its own creditworthiness. Commercial banks and lenders generally require that a company's operations generate sufficient cash flows to service debt. This means that enough cash must be available for interest and principal payments after all daily operations have been funded. Given that CSWR-Florida has already incurred millions of dollars in operating losses and will continue its loss position until sufficient rates can be charged, it is not possible for the Company to currently obtain commercial debt. CSWR-Florida anticipates that, upon the conclusion of the pending rate case, it will have adequate net income to service commercial debt and to begin to balance its Florida capital structure.**

Thank you for the opportunity to provide additional information in support of the application. Please feel free to contact our office at your convenience with any additional questions or concerns.

Sincerely,

*/s/ Thomas A. Crabb*

Thomas A. Crabb  
Attorney for CSWR-Florida

cc: Aaron Silas  
Walt Trierweiler, Esq.  
Austin Watrous, Esq.  
Patricia Christensen, Esq.  
Daniel Dose, Esq.  
Jennifer Crawford, Esq.  
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discovery-gcl@psc.state.fl.us

# Data Request 1

Rolling Oaks - DR 1  
O&M Comparison  
Docket No. 20250136

	<u>Pre-Acquisition - 2021</u>		<u>Post-Acquisition (Year 1) - 2023</u>	<u>Post-Acquisition (Year 2) - 2024</u>	<u>Post-Acquisition (Year 3) - 2025</u>
Water	\$ 1,009,889	Water	\$ 2,190,648	\$ 2,010,390	\$ 1,920,929
Wastewater	\$ 1,441,220	Wastewater	\$ 1,690,871	\$ 1,500,712	\$ 1,271,045
<b>Total</b>	<b>\$ 2,451,109</b>	<b>Total</b>	<b>\$ 3,881,519</b>	<b>\$ 3,511,102</b>	<b>\$ 3,191,974</b>
		<b>Pre/Post Difference</b>	<b>58.36%</b>	<b>43.25%</b>	<b>30.23%</b>

# **Data Request 4**

Rolling Oaks  
Bill Impact - DR 4

**Projected Consolidated Rate Impact**

Water

Current Rate	21.86
Proposed Rate w/ Adjustment	59.23

Water

Current Rate	21.86
Current Rate w/o Adjustment	42.66

Difference

Proposed Rate w/ Adjustment	59.23
Proposed Rate w/o Adjustment	42.66
	<b>\$ 10.51</b>

**Projected Rate Impact - Rolling Oaks Only w/o Consolidation**

**\$ 19.61**

Rolling Oaks

	2021	Y0	Y1	Y2	Y3	Y4	Y5
ERU's	11,290	11,290	11,290	11,290	11,290	11,290	11,290
Rate*	21.86	21.86	59.23	59.23	64.97	64.97	64.97
Revenue	2,961,850	2,751,573	8,024,480	8,024,480	8,802,136	8,802,136	8,802,136
Outside labor expenses	(2,451,109)	(866,400)	(896,724)	(928,109)	(960,593)	(994,214)	(1,029,012)
Administrative and office expense	0	(371,359)	(384,357)	(397,809)	(411,732)	(426,143)	(441,058)
Maintenance and repair expense	0	(211,153)	(218,544)	(226,193)	(234,110)	(242,303)	(250,784)
Purchased water	0	0	0	0	0	0	0
Purchased sewage treatment	0	(22,791)	(23,589)	(24,414)	(25,269)	(26,153)	(27,069)
Electric power expense (exclude office)	0	(268,577)	(277,977)	(287,707)	(297,776)	(308,199)	(318,986)
Chemicals expense	0	(99,882)	(103,378)	(106,996)	(110,741)	(114,617)	(118,628)
Testing fees	0	(37,405)	(38,714)	(40,069)	(41,471)	(42,923)	(44,425)
Transportation expense	0	0	0	0	0	0	0
Other operating expense	0	(335,399)	(347,138)	(359,287)	(371,862)	(384,878)	(398,348)
Total Operating Expense	(2,451,109)	(2,212,966)	(2,290,420)	(2,370,584)	(2,453,555)	(2,539,429)	(2,628,309)
Depreciation	(58,668)	(10,318)	(18,875)	(37,750)	(56,625)	(75,500)	(75,500)
Interest	0	0	0	0	(558,344)	(483,910)	(426,302)
Total Expenses	(2,509,777)	(2,223,284)	(2,309,295)	(2,408,334)	(3,068,524)	(3,098,840)	(3,130,111)
<b>Operating Income</b>	<b>452,073</b>	<b>528,290</b>	<b>5,715,186</b>	<b>5,616,146</b>	<b>5,733,612</b>	<b>5,703,296</b>	<b>5,672,025</b>
Income Tax	(201,559)	0	(1,514,524)	(1,488,279)	(1,519,407)	(1,511,373)	(1,503,087)
<b>Net Income</b>	<b>250,514</b>	<b>528,290</b>	<b>4,200,662</b>	<b>4,127,867</b>	<b>4,214,205</b>	<b>4,191,923</b>	<b>4,168,938</b>

\*Rate reflects average consolidated bills per ERU assuming 5,000 gallons of usage per month

**ASSUMPTIONS**

Total FL ERU's	21,075	32,654	33,447	39,430	45,495	51,643
ERU's in Rate		15,989	15,989	29,751	29,751	29,751
Total FL Rate Base	0	57,234	57,234	84,024	84,024	84,024
Total FL Rev Req	0	11,364	11,364	23,195	23,195	23,195
System ERU's	11,290	11,290	11,290	11,290	11,290	11,290
System Acq Premium	0	32,444	32,444	32,444	32,444	32,444
Equity	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
ROE	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Tax Rate	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
Rate with Acq Premium	0	59.23	59.23	64.97	64.97	64.97
Inflation Rate	0.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Amortization Years	30	30	30	30	30	30
Additional Plant Investment	0	755,000	755,000	755,000	755,000	0
Depreciation Rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Debt Issuance	0	0	0	30,000,000	30,000,000	30,000,000
Interest Rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%

**CALCULATIONS**

Additional Depreciation Expense	0	(18,875)	(37,750)	(56,625)	(75,500)	(75,500)
Interest Expense	0	0	0	(1,950,000)	(1,950,000)	(1,950,000)
Equity Return with Acq Premium	0	2,719	2,719	3,991	3,991	3,991
Equity Return w/o Acq Premium	0	1,178	1,178	2,450	2,450	2,450
Tax Return with Acq Premium	0	980	980	1,439	1,439	1,439
Tax Return w/o Acq Premium	0	425	425	883	883	883
Acq Premium Amortization	0	1,081	1,081	1,081	1,081	1,081
<b>Total Net Impact of Acq Premium</b>		<b>3,178</b>	<b>3,178</b>	<b>3,178</b>	<b>3,178</b>	<b>3,178</b>
<b>Rate Adjustment</b>		<b>28.0%</b>	<b>28.0%</b>	<b>13.7%</b>	<b>13.7%</b>	<b>13.7%</b>
<b>Rate w/o Acq Premium</b>		<b>42.66</b>	<b>42.66</b>	<b>56.07</b>	<b>56.07</b>	<b>56.07</b>
<b>Revenue Requirement w/o Acq Premium</b>		<b>8,186</b>	<b>8,186</b>	<b>20,017</b>	<b>20,017</b>	<b>20,017</b>

# Data Request 9

THIS TERM LOAN AGREEMENT (as it may be amended, restated, supplemented or otherwise modified from time to time, this “*Agreement*”) dated as of November 21, 2024, among CSWR, LLC, a Missouri limited liability company, as Borrower, the LENDERS from time to time party hereto and BID Administrator LLC, as Administrative Agent.

## RECITALS

WHEREAS, the Borrower is the owner, directly or indirectly, of all of the Equity Interests (as defined below) of each of its Subsidiaries (as defined below), including each of the Holding Company Subsidiaries (as defined below) and Operating Company Subsidiaries (as defined below);

WHEREAS, the Borrower and its Subsidiaries are in the business of owning and operating regulated water utilities across the United States;

WHEREAS, the business of the Borrower and its Subsidiaries is a mutual and collective enterprise, the successful operation of which is to the mutual and collective benefit of each of the Borrower and its Subsidiaries; and

WHEREAS, the Borrower has requested, and subject to the terms and conditions set forth in this Agreement, the Administrative Agent and the Lenders have agreed to extend, certain loans and other financial accommodations to the Borrower for its own benefit and the benefit of its Subsidiaries.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, such parties hereby agree as follows:

## ARTICLE I

### Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“*Acquisition*” means any transaction, or any series of transactions, consummated on or after the Effective Date, by which the Borrower or any of its Subsidiaries (a) acquires any ongoing business or line of business or all or substantially all of the assets of any Person, whether through purchase of assets, merger or otherwise, or (b) directly or indirectly acquires at least a majority (in number of votes) of the Equity Interests of a Person which has ordinary voting power for the election of directors or other similar management personnel of a Person (other than Equity Interests having such power only by reason of the happening of a contingency) or a majority of the outstanding Equity Interests of a Person.

“*Administrative Agent*” means BID Administrator LLC, in its capacity as administrative agent and collateral agent for the Lenders hereunder.

“*Administrative Questionnaire*” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“**Affected Financial Institution**” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“**Affiliate**” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“**Agent-Related Person**” has the meaning assigned to it in Section 9.03(d).

“**Agreement**” has the meaning specified in introductory paragraph hereof.

“**Ancillary Document**” has the meaning assigned to it in Section 9.06(b).

“**Anti-Corruption Laws**” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption.

“**Anti-Money Laundering Laws**” means the Bank Secrecy Act, as amended by the USA PATRIOT Act, and any other similar laws or regulations concerning or relating to terrorism financing or money laundering applicable to the Borrower and its Subsidiaries.

“**Applicable ECF Percentage**” means, for any fiscal year of the Borrower, 100%; provided, however, that (a) if the Leverage Ratio for the Test Period ending on the last day of such fiscal year is less than 0.80:1.00, the Applicable ECF Percentage with respect to such fiscal year shall be 50%.

“**Applicable Law**” has the meaning assigned to it in the definition of “Requirement of Law”.

“**Applicable Parties**” has the meaning assigned to it in Section 8.03(c).

“**Applicable Rate**” means, for any day, with respect to any Loan 8.50% per annum.

“**Approved Electronic Platform**” has the meaning assigned to it in Section 8.03(a).

“**Approved Fund**” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“**Arranger**” means Royal Bank of Canada (d/b/a RBC Capital Markets), in its capacity as bookrunner and lead arranger hereunder.

“**Assignment and Assumption**” means an assignment and assumption agreement entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form (including electronic records generated by the use of an electronic platform) approved by the Administrative Agent.

respect of such Person, or (c) the purchase or other acquisition, in one transaction or a series of transactions, of assets of another Person that constitute a business unit or all or a substantial part of the business of such Person or any other Acquisition. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment but net of proceeds, payments and other returns thereon.

“**IRS**” means the United States Internal Revenue Service.

“**Lender Parent**” means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

“**Lender-Related Person**” has the meaning assigned to it in Section 9.03(b).

“**Lenders**” means the Persons listed on Schedule 2.01 and any other Person that shall have become a Lender party hereto pursuant to an Assignment and Assumption or otherwise, other than any such Person that ceases to be a Lender party hereto pursuant to an Assignment and Assumption or otherwise.

“**Leverage Ratio**” means, as of any date of determination, the ratio of (i) Total Debt of the Borrower and its Subsidiaries to (ii) the aggregate Awarded Rate Base for the Operating Company Subsidiaries, in each case as of the last day of the most recently ended Test Period; provided, that the Leverage Ratio shall be determined without giving effect to any Total Debt or Awarded Rate Base attributable to any Operating Company Subsidiary formed or organized in or located in the State of Georgia, or any operations in the State of Georgia, until such time as the Administrative Agent shall have consented to the inclusion thereof (such consent not to be unreasonably withheld, conditioned or delayed).

“**Liabilities**” means any losses, claims (including intraparty claims), demands, damages or liabilities of any kind.

“**Lien**” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“**Loan Documents**” means this Agreement, including schedules and exhibits hereto, the Collateral Documents, the Fee Letter, and all other agreements entered into in connection herewith by the Borrower with or in favor of the Administrative Agent and/or the Lenders, including any Notes issued pursuant to Section 2.10(e), and any amendments, modifications or supplements thereto or waivers thereof.

“**Loans**” means the Term Loans and Delayed Draw Term Loans made by the relevant Lenders to the Borrower pursuant to this Agreement; provided that, for the avoidance of doubt, upon the funding of each Delayed Draw Term Loan, such Delayed Draw Term Loan shall automatically and without action by any Person be added to and constitute part of a single Term

Loan made by each relevant Lender for all purposes of this Agreement and the other Loan Documents.

**“Make-Whole Amount”** means, with respect to any Loan, an amount equal to the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Loan; provided that the Make-Whole Amount shall not be less than zero (0).

**“Make-Whole Expiry Date”** has the meaning assigned to it in Section 2.18(c).

**“Management Agreement”** means that certain Management Services Agreement, dated as of November 21, 2024, among the Borrower and Triton Water Advisory LLC, a Delaware limited liability company, as manager.

**“Material Adverse Effect”** means, with respect to the Borrower, a material adverse effect on (a) the business, assets, operations or financial condition of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower to perform any of its payment or other material obligations under the Loan Documents, (c) the validity or enforceability of this Agreement or any other Loan Documents or the rights or remedies of the Administrative Agent and the Lenders thereunder or (d) the validity, priority or perfection of the Administrative Agent’s security interests in and Liens on a material portion of the Collateral.

**“Material Agreement”** means, with respect to any Person, all other contracts or agreements (other than with respect to Material Indebtedness), the breach, termination or loss of which would reasonably be expected to have a Material Adverse Effect.

**“Material Indebtedness”** means Indebtedness (other than the Loans), or obligations in respect of one or more Swap Agreements, of one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding \$10,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of the Borrower or any of its Subsidiaries in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or any such Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

**“Material Subsidiary”** means, at any date of determination, any Subsidiary of the Borrower which contributes assets with a value of at least three million dollars (\$3,000,000) to the consolidated total assets of the Borrower and its Subsidiaries, as of the last day of the most recently ended Test Period, as determined in accordance with GAAP.

**“Maturity Date”** means, with respect to any Lender, the later of (a) November 21, 2029; provided, however, in each case, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

**“Maximum Rate”** has the meaning assigned to it in Section 9.14.

**“Moody’s”** means Moody’s Ratings, a division of Moody’s Corporation.

**“Multiemployer Plan”** means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day and the last day of each period but excluding the date on which the Delayed Draw Term Loan Commitments terminate).

(b) The Borrower agrees to pay to the Arranger and/or the Administrative Agent, for its own account or the account of the Lenders (as specified therein), fees payable in the amounts and at the times specified in the Fee Letter.

(c) All fees payable hereunder shall be paid on the dates due, in Dollars in immediately available funds, to the Administrative Agent (or to the Arranger, in the case of fees payable to it) for distribution, in the case of upfront fees and commitment fees, to the Lenders, as applicable. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest.

(a) Subject to paragraph (c) below, the Loans shall bear interest at the Applicable Rate.

(b) [Reserved].

(c) At any time during the PIK Interest Period, the Borrower may elect by written notice to the Administrative Agent (such election, a “**PIK Interest Election**”) to have accrued and unpaid interest on the Loans be paid through the addition of such interest to the then outstanding aggregate principal amount of the Loans on each applicable Interest Payment Date, and thereafter such interest shall be deemed principal for all purposes of this Agreement and the other Loan Documents (including bearing interest from such date in accordance with this Section 2.13) (capitalized amounts pursuant to this Section 2.13(c), “**PIK Interest**”). To the extent a PIK Interest Election has been made, the Loans shall bear interest at the Applicable Rate plus the PIK Interest Margin from the first day of the fiscal quarter ending immediately prior to such Interest Payment Date to but excluding the first Interest Payment Date on which a PIK Interest Election is no longer in effect. Once a PIK Interest Election is made, PIK Interest shall remain in effect for all subsequent fiscal quarters ending during the PIK Interest Period; provided that (i) the Borrower may withdraw a PIK Interest Election by providing written notice to the Administrative Agent on or prior to any Interest Payment Date (and on and after such Interest Payment Date, all accrued and unpaid interest (including for the fiscal quarter ending immediately prior to such Interest Payment Date) shall be paid in cash unless the Borrower subsequently makes a future PIK Interest Election) and (ii) notwithstanding anything to the contrary herein, (A) if an Event of Default has occurred and is continuing on the first day of any fiscal quarter, interest must be paid in cash for such fiscal quarter and (B) no new PIK Interest Election may delivered at any time during which an Event of Default has occurred and is continuing. For the avoidance of doubt, any accrued and unpaid interest which is not subject to a PIK Interest Election shall be paid, in cash, on the applicable Interest Payment Date, in accordance with paragraph (a) above.

(d) Notwithstanding the foregoing, at any time that an Event of Default under Section 7.01(a), 7.01(b), 7.01(h) or 7.01(i) has occurred and is continuing, all Obligations shall bear interest, after as well as before judgment, at a rate *per annum* equal to 2.00% plus the Applicable Rate.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the day and year first above written.

**CSWR, LLC**, as Borrower

By: Central States Water Resources, Inc.  
Its: Manager

By: *Josiah M. Cox* \_\_\_\_\_  
Name: Josiah M. Cox  
Title: President