



Question & Answers regarding the Thursday, December 13, 2018 Special Membership Meeting and the Conversion of Maxwell Water Supply Corporation into Maxwell Special Utility District:

Question: What will happen at the Thursday, December 13, 2018 Special Membership Meeting?

Answer: The meeting will be held at the Maxwell Social Club, located at 180 4th Street, Maxwell, Texas. The meeting will convene at 7:00 p.m., and all members present shall sign in to the meeting. The President will call the meeting to order and the agenda for the meeting will be followed. The agenda will include an opportunity for public comment and for each member in attendance to cast a ballot regarding the winding up and conversion of Maxwell Water Supply Corporation into Maxwell Special Utility District. At the end of the meeting, the Independent Election Auditor will count all properly completed ballots that are received at the meeting or prior to the meeting, and will submit a written report to the President with the election results.

Question: What does it mean if I got two envelopes with the election ballot and Special Membership Meeting Announcement?

Answer: Per Article X, Section 2 of Maxwell Water Supply Corporation's bylaws, each member is only entitled to one vote. Therefore, please disregard any duplicate ballots you may receive.

Question: What is a special utility district?

Answer: A special utility district is a local governmental entity that is statutorily charged with providing customers water, wastewater, and firefighting services, but cannot levy taxes.

Question: Who regulates and governs the actions of a special utility district?

Answer: The Texas Water Code provides the Texas Commission on Environmental Quality and the Public Utility Commission of Texas the continuing right of supervision over the actions of a special utility district. However, the daily actions of a special utility district reside within the district's Board of Directors, which are elected by the residents of the district.

Question: Does a special utility district have taxing authority?

Answer: No; special utility districts do not have taxing authority.

Question: Could a special utility district ever obtain taxing authority or convert into another entity without prior approval so that it obtains taxing authority?

Answer: No; Maxwell Special Utility District could not obtain taxing authority. The Texas Water Code specifically provides that special utility districts do not have the authority to assess property taxes. Further, Maxwell

Special Utility District could not convert into another entity with taxing authority without voter approval.

Question: How will a special utility district obtain financing to operate the water system, make repairs to the system and pay those that work for the district?

Answer: Similar to a water supply corporation, a special utility district will generate revenue from water rates. A special utility district, as a governmental entity, can also issue bonds as a financing mechanism. The bonds will operate similar to a loan and will be secured by the water rates. The bonds will not be secured by taxes because a special utility district cannot assess property taxes. Having the ability to issue bonds is a benefit to the district because the interest rates of the bonds is likely to be less than the interest rate of a loan, which in turn will save the district money.

Question: Why does the Maxwell Water Supply Corporation Board of Directors want to convert?

Answer: This is a crucial time for Maxwell Water Supply Corporation (MWSC), its members, and the surrounding communities. MWSC believes that converting into a special utility district is a prudent and fiscally responsible decision that will prepare MWSC to better serve its customers now and in the future. Furthermore, converting into a special utility district will allow Maxwell to access substantial financial benefits that it currently cannot access as a non-profit corporation and provide Maxwell some legal protections that are not available to non-profit corporations.

Question: Will the actions and decisions of Maxwell Special Utility District be as transparent as a Maxwell Water Supply Corporation?

Answer: Yes; Maxwell Special Utility District will be required by state law to comply with the Texas Open Meetings Act, and the Texas Public Information Act. The District will also be required to engage an auditor to perform an annual audit of the District's financials and adopt and enforce a conflict of interest policy with regard to the District's Board of Directors.

Question: Will the conversion cause my bills to increase?

Answer: No; the conversion from a water supply corporation to a special utility district will not cause a rate increase. Rate increases are generated by improvements to the water system and the expenses associated with operating the water system, such as the cost of purchasing water.

Question: How would a special utility district conversion affect my membership?

Answer: Per Article XV of MWSC's bylaws, all assets of MWSC, including membership interests, will be automatically transferred from MWSC to Maxwell Special Utility District and former members of MWSC will become customers of Maxwell Special Utility District. As a customer of Maxwell Special Utility District, you will retain voting rights for the election of the Maxwell Special Utility District's Board of Directors. Further, all deposits will be transferred as well and continue to be a deposit. Members will have the same rights to a refund as they do as a member of MWSC.

Question: Who can run to be a director of Maxwell Special Utility District?

Answer: A person can run for a director's position if that person is: (i) 18 years old, (ii) a resident citizen of the state, and either (iii) is a qualified voter of the district, is a user of the district's facilities, or owns land subject to taxation (by another entity) in the district.

Question: Who can vote in a special utility district directors election?

Answer: Any person that is a resident of the district and is a registered voter.

Question: Will the conversion change the quality of my water?

Answer: There will be no interruptions in water service and the conversion will not change the quality of the water.

Question: Will customers and members have a chance to ask questions before the conversion?

Answer: Yes; the membership vote on December 13, 2018, is a vote of the membership to determine the membership's approval or opposition to converting Maxwell Water Supply Corporation into Maxwell Special Utility District. If a majority of the membership votes in support of the conversion, then legislation will be filed to create Maxwell Special Utility District. If the legislation passes, then Maxwell Special Utility District will hold a confirmation election in the District and the voters will have the opportunity to support or oppose the official conversion.
