

TARIFF

LAVON WATER SUPPLY CORPORATION

(COLLIN/ROCKWALL COs/CCN # 10066)

**Approved By Board of Directors on
September 12, 1995**

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RULES, REGULATIONS, AND INFORMATION SHEET

Effective August 15, 2007

The Lavon Water Supply Corporation is a non-profit cooperative established and operated by and for its members under the jurisdiction of the Farmers Home Administration, The Texas Department of Health, and the United States Environmental Protection Agency.

The Corporation is overseen by the Board of Directors, elected by you, its members, during the Annual Business meeting held during the first quarter of the year; normally the second Tuesday of March. The current Directors are:

		<u>Term Expires</u>
Herman Stork, President	972-843-2103	2010
Billy Roden, Vice President	214-718-8821	2009
David Adcock, Treasurer	972-843-2873	2008
Michael Cook, Secretary	972-843-2214	2009
Aubrey Mayfield	972-771-1669	2010
Mike Miller, Director	972-843-2997	2010
David Hawkins, Director	214-557-7007	2008

Office Location: 16881 C. R. 541, Lavon, TX 972-843-2101

Employees: Gary Fox – General Manager
Camille Reagan – Office Administrator
Floyd Tate – Crew Leader
Stephen Nielson – Maintenance 1 Operator

To obtain service from the Lavon Water Supply Corporation requires payment of a membership fee of \$200.00, a meter installation fee of \$500.00, an Aid to Construction fee of \$2,250.00 and a Customer Service Inspection Fee of \$50.00 (total \$3,000.00). This fee covers 3/4" X 3/4" meters; all over-size (1" and up) meters will require additional monies to cover the extra costs of and installing of a larger meter. An additional fee of a road bore may be required to provide service to a particular location. The road bore will be completed by a designated representative of Lavon Water Supply Corporation and charged at the rate established by that representative. Exception will be in instances where the membership/meter has been abandoned, in which case, the cost to reconnect will be as follows: Reconnect fee of \$50 (to unlock the meter); \$200.00 Membership fee; plus Minimum payment (in effect at time of application) times number of months of Inactive status; not to exceed Membership fee plus Aid to Construction in effect at time of application. In all cases the meter, itself, remains the property of the Corporation and may be connected, disconnected, or reconnected as directed by the Corporation's

Board of Directors. The right to use the meter in accordance with the Rules and Regulations of the Corporation belongs to the member-patron and is transferable to any person who meets the requirements for membership plus a \$20.00 transfer fee and requires water service with the Corporation's service area. Any time a meter is vacated or transferred to another party, the Lavon Water Supply Corporation must be notified.

MINIMUM MONTHLY RATES ARE:	3/4" Meter	-	\$ 17.50/month
	1" Meter	-	\$ 35.00/month
	2" Meter	-	\$ 70.00/month
	3" Meter	-	\$140.00/month
	4" Meter	-	\$280.00/month
	6" Meter	-	\$800.00/month

WATER RATES:	\$3.00/1,000 GALS FOR 0 TO 12,000 GALLONS
	\$3.50/1,000 GALS FOR 12,001 TO 25,000 GALLONS
	\$4.50/1,000 GALS FOR 25,001 TO 50,000 GALLONS
	\$5.50/1,000 GALS FOR 50,001 TO 100,000 GALLONS
	\$6.50/1,000 GALS FOR OVER 100,001 GALLONS

CONSTRUCTION WATER RATES:
\$5.00/1,000 GALS
\$50.00 Connection Fee to Fire Hydrant

All construction customers will be charged \$1,100.00 for a deposit of a fire hydrant meter with a backflow device. The deposit will be returned to the customer within 7-10 days after the meter is picked up by the LWSC operator. If the meter or backflow device is damaged or altered in any way other than normal water flow use, the deposit will be forfeited and an additional deposit will be required for a new meter.

Meters will be read by an authorized representative of the corporation as nearly as practical, on the same date each month between the 20th and the 25th.

Monthly bills will be prepared and mailed as soon as practical after the meters have been read. The full amount of the associated account is due and payable upon receipt of the bill. The Corporation holds the member-patron responsible for payment. As a service to member-patron, who request, we will send the monthly statement to the Lessee of leased property, however, only one mailing address is maintained! Therefore, Landlords be aware that, irregardless of the "Lessee" billing service, the membership remains subject to the Inactive status provisions above which could result in up to a \$2,450 expense.

Monthly bills may be paid at the office, 16881 C. R. 541, or mailed to P. O. Box 188, Lavon, TX 75166. Appointments to the conduct of business may be made by calling the office (972) 843-2101 or any member of the Board of Directors (numbers listed above). A late charge of \$20.00 will be added to the account if bill payment is not received by the Corporation by the 10th of the current month. On the 11th, all delinquent accounts will be re-billed stating the delinquent status and the meter will be locked on or, as soon as reasonable, after the 27th. If the account is not settled in full by the end of business day on 26th, a reconnect fee of \$50.00 plus account balance, will be required to reinstall/unlock any service that has been disconnected due to account delinquency. If a member requests for service to be reconnected after business hours, there will be a trip charge of \$100 payable at the office on the next business day before 11:30AM. If account delinquency continues, the account will be placed in Inactive status and will then be subject to all fees as listed above. \$20.00 dollars will be assessed for all returned checks. These fees are non-negotiable nor subject to waiver.

Before any new service installations are made, they must be approved:

- A. By the Corporation's operator, or
- B. In cases where the operator doubts the capacity of the system to service the new customer without impairing service to existing member-patrons, then by the Board of Directors, who may require input by system engineer.

The Board of Directors are only required to meet as necessary for the proper conduct of business, but have scheduled meetings to be held the second Tuesday of each month except when that date falls on a legal holiday. If a holiday preempts a meeting date, the meeting will be automatically rescheduled for the succeeding Tuesday at the same time and place. All board meetings will normally begin at 7:00 PM in the Office located at 16881 C. R. 541. Special meetings can be requested by any director and will be announced to all directors who can be contacted and to parties deemed to have proper interest in the subject of the meeting.

Any new line additions made to the Lavon Water Supply Corporation System for any user's personal benefit will be IAW specifications of LWSC and paid for by that user(s) and become the property of the LWSC at the time of connection to the distribution system. Furthermore, the line installer must guarantee and maintain the line for a period of one (1) year. At the time of the initial connection and after one (1) year, the line will be inspected for acceptance by the Lavon Water Supply Corporation.

Only one (1) residence will be served by a meter. No combination of two (2) residences or more or one (1) residence and one (1) business on a single meter will be allowed. The minimum meter size for a commercial building with up to five units is a 1” meter. Additional units would require a larger meter determined by the engineered building requirements.

From time to time, the water system does experience leaks caused by events such as soil shifts, erosion, accidents, and poorly managed excavations. When leaks occur, the water supply may be shut off for a short time. To report leaks or failures, or to obtain information, call: (day or night). (972) 843-2101.

When system repairs are made, air is often times trapped in lines causing bubbles (cloudiness) to appear in the water drawn from the system. Please allow the system time to be cleared of trapped air before reporting this type of problem.

The Board of Directors encourages all members to attend and participate in the Annual Business meeting so that the system may continue to function for and better serve each member. The membership will be notified of the dates and places of such meetings.

BOARD OF DIRECTORS

LAVON WATER SUPPLY CORPORATION

THIS INFORMATION/FACT SHEET SUPERSEDES ALL PREVIOUS RULES AND REGULATIONS

BY - LAWS

LAVON WATER SUPPLY CORPORATION

By-laws of Lavon Water Supply Corporation, having been presented to the Board of Directors of said Corporation and duly adopted as follows:

ARTICLE I

The President shall preside at all Members' and Directors' meetings. The President may, and upon demand of one-third (1/3) of the Members, call a special meeting of the Members or Directors. Such special meetings shall be held upon giving the notice required in Article XII of the By-Laws. The President shall perform all other duties that usually pertain to the office or are delegated to him by the Board of Directors.

ARTICLE II

The Vice-President shall, in case of the absence or disability of the President, perform the duties of the President.

ARTICLE III

The Secretary-Treasurer shall have the custody of all the monies and securities of the Corporation. The Secretary-Treasurer shall keep regular books and shall keep minutes of all meetings of Members and Directors. All monies of the Corporation shall be deposited by the Secretary-Treasurer, or his designee, in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer or the President or Vice President, in the absence of the President. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed hereby or by resolution passed by the Board of Directors or Members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties pertaining to the office of Secretary-Treasurer.

The position of the Secretary-Treasurer and other positions entrusted with receipt and disbursement of funds shall be placed under a fidelity bond in an amount, which shall be set from time to time, but not less than once each year, by the Board of Directors. The fidelity bond coverage amount shall approximate the total annual debt service requirements for all FmHA loans and be evidenced by a position fidelity schedule bond as acceptable to the Farmers Home Administration.

ARTICLE IV

Section 1. The Board of Directors shall consist of SEVEN (7) Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on 2nd Tuesday of March, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer. The Directors shall be elected by the Members at the Members' regular meeting provided for in Article XI of the By-Laws. The Directors shall be divided into three (3) classes, each class to be as near as equal in number as possible. The terms of the Directors of the first class shall expire at the first annual meeting of the shareholders after their election, the terms of the Directors of the second class shall expire at the second annual meeting after their election and the terms of the Directors of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification, the number of Directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. The Directors shall serve without pay, but may be compensated for actual expenses by a majority vote of Directors.

Upon the death or resignation of a Director, a successor shall be elected by a majority of the existing Directors to serve until the next regular or special Membership meeting at which time the general Membership shall elect a successor for the remaining balance of the previously vacated term.

Section 2. Officers and Directors may be removed from office in the following manner except as otherwise provided in Article V: Any Member, Officer, or Director may present charges against a Director or Officer by filing such charges in writing with the Secretary-Treasurer of the Corporation. If presented by a Member, the charges must be accompanied by a petition signed by at least ten (10) percent of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those voting if a quorum is present. The Director(s) or Officer(s) against whom such charges have been presented shall be informed in writing, of such charges at least twenty days prior to the meeting, and shall have the

opportunity at such meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges shall have the same opportunity. If the removal of a Director(s) is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of a majority of the Members present and voting at such meeting. A vacancy in any office thus created shall be filled by the Board of Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 3. The President of the Board or his designee shall preside at any meeting of the Members convened to consider removal of an Officer or Director as provided under Section 2, unless the President is the subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President are the subject of charges, those Directors who are not the subject of any charges shall appoint one of their number to preside over the meeting. Any meeting convened to consider the removal of an Officer or Director shall be conducted in accord with the procedures prescribed by the Credentials Committee established under the provisions of Article XI. The fact that President, Vice President, or any other Officer or Director has been made the subject of charges does not otherwise prevent such Officer from continuing to act in his capacity as an Officer or Director of the Corporation. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 4. The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interest of the Membership.

ARTICLE V.

Section 1. Regular meetings of the Board of Directors shall be held at such time and place as the Board may determine at the next previous regular meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act, Article 6252-17, Tex. Rev. Civ. Stat., by furnishing the notice to the County Clerk of Collin and Rockwall, and by posting such notice in a place readily convenient to the public in its administrative office at all times for at least seventy-two (72) hours preceding the scheduled time of the meeting. Such notice shall specify the date, hour, place, and subject of each meeting held by the Board of Directors.

Section 2. Any Director failing to attend two (2) consecutive regular monthly meetings shall be given written notice by the balance of the Board of Directors that failure by said Director to attend a third consecutive monthly meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to removal of said Director from the Board. A successor shall be elected by a majority vote of the Directors remaining to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the balance of the term. If the removal of a Director pursuant to this Section 2 occurs at an annual Membership meeting, then the successor shall be elected by a majority vote of the Membership in attendance at the meeting.

Section 3. The Board of Directors shall provide access for the public, new service applicants, or Members to the regular monthly meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances. The Board of Directors shall establish reasonable rules for access to such meetings.

Section 4. The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Article 6252-17, Tex. Rev. Div. Stat., including any subsequent amendments thereto. In the event of any conflict between the provisions of these Bylaws and the requirements of the Open Meetings Act, the provisions of the Open Meetings Act shall prevail.

ARTICLE VI

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the Memberships of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid.

ARTICLE VII

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in an institution insured by the State or Federal Government, or invested in readily marketable securities backed by the full faith and credit of the United States of America, a reserve account separate and apart from other fund accounts of the Corporation. There shall be deposited in such fund the sum as required by a total of all loan resolutions executed by the Corporation. Such deposits shall be made monthly and shall continue until the total amount deposited equals the sum as required by the executed loan resolutions provided, however that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

Withdrawals may be made from this fund only upon prior written approval from Farmers Home Administration. Approval shall be made only for emergency repairs, obsolescence of equipment, improvements to facility, and for making up any deficiencies in revenue for loan payments.

The Directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited in bonds or other evidence of indebtedness of the United States of America, or in readily marketable securities backed by the full faith and credit of the United States of America. Securities so purchased shall be deemed at all times to be part of the reserve fund account.

ARTICLE VIII

Section 1. Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served or which may reasonably be serve by the Corporation, shall have the right to become a Member of the Corporation upon payment of the Membership fee hereinafter provided and upon compliance with the Corporation's conditions of water and/or sewer service as provided for in its published charges, rates and conditions of service. Membership shall not be denied because of the applicant's race, color, creed, citizenship, or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit.

Section 2. The membership fee shall be \$200.00. Payment of Membership fee or transfer of Membership shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of Membership to continue to qualify for service to an existing connection to the system by meeting the conditions for water and/or sewer as provided in the Corporation's published rates, charges, and conditions of service. A person may own more than one Membership but each Member shall be entitled to only one vote regardless of the number of Memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

Section 3. The Membership fee may be revised by the Board of Directors as the Board may determine to be appropriate. In determining the amount of the Membership fee, however, the Board shall ensure that the fee is sufficient to establish the potential Member as being legitimately interested in securing water service from the Corporation for such potential Member's own needs. Furthermore, the Board shall determine and administer such fee in a manner or in an amount which does not unreasonably deny service to financially deprived potential Members. In no event, however, shall the Membership fee exceed an amount equal to the sum of twelve (12) charges of the Corporation's minimum monthly water rate unless previously approved by Farmers Home Administration.

ARTICLE IX

Where necessary for determining those Members entitled to notice of, or those Members entitled to vote at any meeting or any adjournment thereof, or where necessary to make a determination of Members for any other proper purpose, ownership of Membership shall be deemed to be vested in those persons who are the record owners of Membership as evidenced by the Membership transfer book on the 15th day of the month preceding the month of the date upon which the action requiring such determination is to be taken. Nothing herein shall preclude the holder of a Membership from mortgaging such Membership, or, upon notification of the Corporation, preclude the holder of such mortgages from exercising legal rights pursuant to such mortgages upon proper notice to the Corporation.

ARTICLE X

Section 1. In order to ensure that business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the Members of the Corporation, Membership in the Corporation shall be transferred in accordance with the following:

(a) Except as herein provided, Membership in the Corporation shall be deemed personal estate and a person or entity that owns any stock of, is a member of, or has some other right of participation in the Corporation may not sell or transfer that stock, Membership, or other right of participation to another person or entity except: (1) by will to a transferee who is a person related to the testator within the second degree by consanguinity; (2) by transfer without compensation to a transferee who is a person related to the owner of the stock or other interest within the second degree by consanguinity; or (3) by transfer without compensation or by sale to the Corporation.

(b) Subsection (a) of this section does not apply to a person or entity that transfers the Membership or other right of participation to another person or entity as part of the conveyance or real estate from which the Membership or other right of participation arose.

(c) The transfer of stock, a Membership, or other right of participation under this section does not entitle the transferee to water or sewer service unless each condition for water or sewer service is met as provided in the Corporation's published rates, charges, and conditions of service. Water or sewer service provided by the Corporation as a result of stock, Membership, or other right of participation may be conditioned on ownership of the real estate designated to receive service and from which the Membership or other right of participation arose.

(d) The Corporation may cancel a person's or other entity's stock, Membership, or other right of participation if the person or other entity fails to meet the conditions for water or sewer service prescribed by the Corporation's published rates, charges, and conditions of service, or fails to comply with any other condition placed on the receipt of water or sewer service under the stock, Membership, or other right of participation authorized under Subsection (c) of this section. The Corporation may, consistent with the limitations prescribed by Subsection (a) of this section and as provided in the Corporation's tariff, reassign canceled stock, or a canceled Membership, or other right of participation to any person or entity that has legal title to the real estate from which the canceled Membership or other

right of participation arose and for which water or sewer service is requested, subject to compliance with the conditions for water or sewer service prescribed by the Corporation's published rates, charges, and conditions of service.

Section 2. Notwithstanding anything to the contrary herein above provided, the consideration for the transfer of any Membership in the Corporation from the original Members, their transferees, pledges, administrators or executors, or other persons, shall never exceed the amount of the original costs of such Membership. No gain or profit shall ever be realized from the sale or transfer of a Membership.

ARTICLE XI

Section 1. There shall be a regular meeting of the Members annually, on the 2nd Tuesday of March to transact all business that may be properly brought before it. The Secretary-Treasurer shall give at least ten (10) days written notice of such annual meeting to the Membership indicating the time, place and purpose of such meeting, and shall address and mail the notice to each Member at the address last known to the Corporation. Failure to hold or call an annual or special meeting in accordance with these By-Laws shall give each member rights to compel the Board of Directors to properly hold an annual or special meeting of the Membership. Voting by proxy shall be permitted. Members holding five percent (5%) of the votes entitled to be cast, represented in person or by proxy, shall constitute a quorum for the transaction of business. In the event that a quorum is not present, the meeting will be adjourned and reconvened the following Tuesday with notices being posted 72 hours prior to reconvening the meeting.

Section 2. The Board of Directors shall establish a standing Credentials Committee of three (3) Members, of which the Secretary-Treasurer shall be the chairperson. This committee shall adopt proper procedures for conducting an annual or special Membership meeting; adopt a specific proxy form to be used in conducting an annual or special Membership meeting; adopt procedures for proper notification of the Membership of such meetings and delivery of the Corporation's proxy forms to the Membership; determine, qualify, and register the eligible voters for such meeting; validate proxies, determine presence of quorum for conducting the meeting, design ballots, canvass all votes, and institute proper recording of the results of such elections for which a quorum will be members (at least two) physically present.

ARTICLE X11

Special meetings of the Directors may be held upon the posting of notice of such special meeting, in the manner provided under Article V of these By-Laws, at least two hours before the meeting is convened. It shall be the responsibility of the President or his designee to ensure that proper notice is posted. In no event shall any special meeting of the Directors be convened where the business of such meeting could be considered at a regular meeting of the Directors receiving at least seventy-two (72) hours notice as provided under Article V of these By-Laws.

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members, and that such special meeting is otherwise noticed as provided under Article V of these By-Laws. Such notice shall specify the time, place, and purpose of the meeting, and shall be addresses and mailed to each of the Members at their address last known to the Corporation.

ARTICLE XIII

The business of the Corporation shall be handled under the direction of the Board of Directors by a manager to be elected by majority vote of the Board. The manager shall serve with or without compensation. The manager, with the approval of the Board of Directors, may employ, with or without compensation, such supervisory, clerical or other employees as may be required to effectively operate the business of the Corporation.

ARTICLE XIV

Notwithstanding the ownership of a Membership certificate, all Members shall be billed, disconnected, or reconnected, and otherwise shall receive service in accordance with the written policies of the Corporation, including the tariff of the Corporation. In the event a Member should surrender his Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water service shall be discontinued and the obligation to pay for water service shall terminate except as for the minimum charge for the current month and the charge for water used during the current month, and except as for any unpaid amounts due the Corporation. In the event Membership is terminated, canceled, withdrawn, or surrendered, whether voluntarily or involuntarily, the former Member's rights and interest in the assets of the Corporation will not be forfeited.

ARTICLE XV

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation remaining after payment of the indebtedness of the Corporation shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with Corporation insofar as practicable. Any indebtedness due the Corporation by a Member for water service or otherwise shall be deducted from such Member's share prior to final distribution. By application for and acceptance of Membership in the Corporation, each Member agrees that, upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that Member shall be in turn immediately transferred by the individual Member to an entity that provides a water supply or waste water service, or both, that is exempt from ad valorem taxation.

ARTICLE XVI

The fiscal year of the Corporation shall be 1 January to 31 December.

ARTICLE XVII

For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the Farmers Home Administration, the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as is required by the State Director of the Farmers Home Administration for the State of Texas.

ARTICLE XVIII

Section 1. If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all cost incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board may determine or as may be required by Farmers Home Administration, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all cost of operation, maintenance, replacement and repayment on indebtedness for the year's operations, but this provision shall not operate for the benefit of any third

party creditor other than Farmers Home Administration without a favorable vote of the majority of the Members. Any assessment levied to make up operational deficits in any year shall be levied against Members in proportion to their patronage with the Corporation.

Section 2. In the event a Member should surrender his Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the Membership certificate, provided, however, that this paragraph and the second sentence of Article XIV shall not apply to relieve a Member of his obligation under special agreements covering Multiple-Membership certificates held by one Member which may have been required or approved by the Farmers Home Administration.

ARTICLE XIX

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors, and committees, and shall keep a record of the name and addresses of its Members entitled to vote at its registered office or principle office in Texas.

Annually, the Board of Directors shall prepare or cause to be prepared a report of the financial activity of the Corporation for the preceding year including a statement of support, revenue, and expenses and changes in fund balances, a statement of functional expenses, and balance sheets for all funds or such financial reports as required by Farmers Home Administration. Such reports shall be approved by the Board of Directors.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by the Open Records Act, Article 6252-13a, Tex. Rev. Civ. Stat., including and amendments thereto, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.

In the event of any conflict between the provisions of the Open Records Act and the provisions of these By-Laws, the provisions of the Open Records Act shall prevail.

ARTICLE XX

These By-Laws may be altered, amended, or repealed by a vote of a majority of the Members present at any regular meeting of the Corporation, or at any special meeting of the Corporation called for that purpose, except that the Members shall not have the power to change the purpose of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provisions for the safety and security of property and funds of the Corporation or its Members, or to deprive any Member of rights and privileges then existing, or so to amend the By-Laws as to effect a fundamental change in the policies of the Corporation. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the Farmers Home Administration, these By-Laws shall not be altered, amended, or repealed without the prior written consent of the State Director of the Farmers Home Administration for the State of Texas.

ARTICLE XXI

The seal of the Corporation shall consist of a circle within which shall be inscribed "LAVON WATER SUPPLY CORPORATION".

ARTICLE XXII

The Corporation pledges its assets for use in performing the organization's charitable functions.

ARTICLE XXIII

The above By-Laws and regulations were unanimously adopted by the Membership of the "LAVON WATER SUPPLY CORPORATION", at a meeting in the LAVON WATER SUPPLY CORPORATION OFFICE on the 15th day of MARCH, A.D. 2005.

Secretary-Treasurer

NON-STANDARD SERVICE REQUIREMENTS

1. **Corporate Limitations.** All Applicants shall recognize that the Corporation must comply with local, state, and federal rules and regulations as promulgated from time to time, and by covenants of current indebtedness.

2. **Purpose.** The purpose of this Section is to govern agreements and service procedures for subdivisions, additions to subdivisions, or developments where service to more than one tract is necessary; and/or additional piping, service facilities, etc. are required to accommodate individual, multiple, commercial, or industrial Applicants. For the purpose of this Tariff, Applications subject to this section shall be defined as Non-Standard.

3. **Application of Rules.** This Section may be altered or suspended when applied to planned facility expansions for which the Corporation extends its indebtedness. The Board of Directors of the Corporation shall interpret on an individual basis whether or not the Applicants service request shall be subject to all or part of the conditions of this Section.

4. **Non-Standard Service Application.** The Applicant shall meet the following requirements prior to the initiation of a Service Contract by the Corporation:
 - a. The Applicant shall provide the Corporation a completed Service Application and Agreement giving special attention to the item on SPECIAL SERVICE NEEDS OF THE APPLICANT.

 - b. A final plat approved by the Corporation must accompany the Application showing the Applicant's requested service area. The plat must be approved by all regulatory authorities having jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such regulatory authorities shall be submitted with the plat. Applicant's for single taps involving extension or up-sizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements all at the Applicants expense.

c. At the time the Applicant tenders the Application, a Non-Standard Service Investigation Fee (as determined by the Board of Directors) or (a percentage of construction cost not to exceed \$3,000...?) to cover initial administrative, legal, and engineering fees shall be paid to the Corporation. Any additional expenses incurred as a result of efforts by the Corporation to study service requirements of the Applicant shall be paid by the Applicant.

d. If after the service investigation has been completed, the Corporation determines that the Applicant's service request is for property outside the Corporation's Certificated Service Area of Public Convenience and Necessity, service may be extended provided that:

(1) The service location is contiguous to or within one fourth (1/4) mile of the Corporation's Certificated Service Area of Public Convenience and Necessity.

(2) The service location is not in an area receiving similar service from another utility; and

(3) The service location is not within the Area of Public Convenience and Necessity of another similar utility.

(4) Amendments to the Corporation's Certificated Service Area of Public Convenience and Necessity will be initiated by Applicant and all cost shall be paid by Applicant

5. **Design.** The Corporation shall review the design of Applicant's required facilities prior to initiation of a Service Agreement by adopting the following schedule:

a. The Applicants certified Consulting Engineer shall design all service facilities for the Applicant's requested service within the Corporation's specifications.

b. All engineering fees shall be paid by the Applicant.

c. The Consulting Engineer shall submit to the Corporation a set of detailed plans, specifications, and cost estimates for the project.

d. If no local authority imposes other design criteria on the Applicant's service request, the Applicant's certified Engineer shall design all facilities for any Applicant to meet the demand for service as platted and/or requested in the plans or plat submitted in application for service. The Corporation reserves the right to upgrade design of service facilities to meet future demands, provided however, the Corporation pays the expense of such upgrading above the Applicant's facility requirements.

6. **Non-Standard Service Contract.** All Applicants requesting or requiring Non-Standard Service may be required to enter into a written contract, drawn up by the Corporation's Attorney, in addition to submitting the Corporation's Service Application and Agreement. Said contract shall define the terms of service prior to construction of required service facilities. Guidelines for the service contract may include, but are not limited to:

a. Definition of all cost associated with required administration, design, construction, and inspection of facilities for water service to the applicant's service area and terms by which these cost are to be paid.

b. Definition of procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project.

c. Definition of Front-end Capital Contributions required by the Corporation in addition to other cost required under this Section.

d. Definition of monthly Reserved Service Charges as applicable to the service request.

e. Definition of terms by which reserved service shall be provided to the Applicant and duration of reserve service with respect to the impact the Applicant's service request will have upon the Corporation's system capability to meet other service request.

f. Definition of terms by which the Applicant shall be reimbursed or compensated for fees duplicated in assessments for monthly rates and Front-end Capital Contributions.

g. Definition of terms by which the Corporation shall administer the Applicant's project with respect to:

- (1) Design of the Applicant's service facilities;
- (2) Securing and qualifying bids;
- (3) Execution of the Service Agreement;
- (4) Selection of a qualified bidder for construction;
- (5) Dispensing advanced funds for construction of facilities required for the Applicant's service;
- (6) Inspecting construction of facilities; and
- (7) Testing facilities and closing the project.

h. Definition of terms by which the Applicant shall indemnify the Corporation from all third party claims or lawsuit in connection with the project contemplated. Applicant will provide lien releases showing all work and supplies have been paid in full.

i. Definition of terms by which the Applicant shall deed all construction facilities to the Corporation and by which the Corporation shall assume operation and maintenance responsibility, including any enforcement of warranties in connection with construction of the Applicant's project.

j. Definition of terms by which the Applicant shall grant title or easement for right-of-ways, constructed facilities, and facility sites and/or terms by which the Applicant shall provide for the securing of required right-of-ways and sites.

k. Definition of terms by which the Board of Directors shall review and approve the Service Contract pursuant to current rules, regulations, and by-laws,

7. **Property and Right-of-Way Acquisition.** With regard to construction of facilities, the Corporation shall require private right-of-way easements or private property as per the following conditions:

a. If the Corporation determines that, right-of-way easements or facility sites outside the Applicant's property are required, the Corporation shall require Applicant to secure easements or title to facility sites in behalf of the Corporation. All right-of-way easements and property titles shall be researched, validated, and filed by the Applicant at the expense of the Applicant with copies of the above, after filing, forwarded to Corporation.

b. All facilities required to be installed in public right-of-ways in behalf of the Applicant, due to inability to secure private right-of-way easements, shall be subject to cost equal to the original cost of facility installation for those facilities in public right-of-ways, plus the estimated cost of future relocation to private right-of-ways or subject to the cost of installation under state condemnation procedures, whichever is most desired by the Applicant.

c. The Corporation shall require an exclusive dedicated right-of-way on the Applicant's property (as required by the size of the planned facilities and as determined by the Corporation) and title to property required for other on-site facilities.

d. Easements and facilities sites shall be prepared for the construction of the Corporation's pipeline and facility installations in accordance with the Corporation's requirements and at the expense of the Applicant.

8. **Bids For Construction.** The Applicants Consulting Engineer shall advertise for bids for the construction of the Applicants proposed facilities in accordance with generally accepted practices.

a. The Applicant shall sign the Service Contract noting wiliness to proceed with the project and shall pay all costs in advance of construction associated with the project;

b. The Contractor shall provide an adequate bid bond under terms acceptable to the Corporation.

c. The Contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the Corporation;

d. The Contractor shall supply favorable references acceptable to the Corporation;

e. The Contractor shall qualify with the Corporation as being competent to complete the work, and

f. The Contractor shall provide adequate certificates of insurance as required by the Corporation.

9. **Pre-Payment For Construction and Service.** After the Applicant has executed the Service Agreement, the Applicant shall pay to the Corporation all cost necessary for completion of the project prior to construction and in accordance with the terms of the Service Contract.

10. **Construction.**

a. All road work pursuant to county and/or municipal standards (if applicable) shall be completed prior to facility construction to avoid future problems resulting from road right-of-way completion and excavation. Subject to approval of the requisite authority, road sleeves may be installed prior to road construction to avoid road damage during construction of Applicant's facilities.

b. The Corporation shall, at the expense of Applicant, inspect the facilities to ensure that Corporation standards are achieved.

c. Construction plans and specifications shall be strictly adhered to, but the Corporation reserves the right to change-order any specifications, due to unforeseen circumstances during the design phase, to better facilitate operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.

WATER RATIONING PLAN

- Facts:**
1. Although LWSC has never used over the minimum as set forth by NTMWD, which would be a positive fact against having to ration, it should also be kept in mind that, as not being a charter member of NTMWD, that the likelihood of just being cut-off does exist.
 2. As a primarily rural make-up, then livestock would have to be considered as essential except in case of severe curtailment of the water supply.
 3. In the absence of essential public services (such as schools, hospitals, etc.), then it will only be necessary to focus on always providing water to day-care facilities, elderly, households with newborn and/or handicapped to the degree as to endanger their lives, and any other life-threatening situations. For the purpose of this plan, the above listed will be referred to as Category I.

In that water rationing will most likely be a phased-in situation as the severity increases, the following priorities are established:

PRIORITY C: Although not actually being curtailed at the pumps, reasonable and prudent foresight calls for action.

Action: Letter to all members requesting prudent use of water

PRIORITY B: Curtailment of supply has been instigated by NTMWD in the form of either cut-back of normal usage or a pumping schedule that will put LWSC in a position of not being able to meet demand at better than 80%, but less than 100%.

Action: Letter to all members informing of rationing with all those even numbered addresses or Box numbers will water on Monday, Wednesday, and Friday while those with odd numbered addresses or Box numbers will water on Tuesday, Thursday, and Friday. This rationing plan will not apply to Category I facilities/individuals.

PRIORITY A: When curtailment has reached the point that LWSC is not able to meet 80% of the normal demand.

Action: Letter to all members forbidding any outside, unnecessary or wasteful household use with the exception of livestock (prudent and essential use is the key).

SUMMARY

This "Tariff" was reviewed and approved by the Lavon Water Supply Corporation Board of Directors at a regular meeting on September 12, 1995. As changes and growth occur, up-dates and more comprehensive planning, respectively, will be approved.

President

Secretary

