

### HISTORICAL EXPENSES STATEMENT

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
<b>Total</b>						
<b>% Increase Per Year</b>						
<b>OPERATIONAL EXPENSES</b>						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
<b>Total</b>						
<b>% Increase Per Year</b>						
<b>ASSUMPTIONS</b>						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

**PROJECTED BALANCE SHEETS**

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>CURRENT ASSETS</b>						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
<b>Total</b>						
<b>FIXED ASSETS</b>						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
<b>Total</b>						
<b>TOTAL ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
<b>Total</b>						
<b>LONGTERM LIABILITIES</b>						
Notes Payable, Long-term						
Other						
<b>TOTAL LIABILITIES</b>						
<b>OWNER'S EQUITY</b>						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
<b>TOTAL OWNER'S EQUITY</b>						
<b>TOTAL LIABILITIES AND EQUITY</b>						
<b>WORKING CAPITAL</b>						
<b>CURRENT RATIO</b>						
<b>DEBT TO EQUITY RATIO</b>						
<b>EQUITY TO TOTAL ASSETS</b>						

**PROJECTED INCOME STATEMENT**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>METER NUMBER</b>						
Existing Number of Taps						
New Taps per Year						
<b>Total Meters at Year End</b>						
<b>METER REVENUE</b>						
Fees Per Meter						
Cost Per Meter						
<b>Operating Revenue Per Meter</b>						
<b>GROSS WATER REVENUE</b>						
Fees						
Other						
<b>Gross Income</b>						
<b>OPERATING EXPENSES</b>						
General & Administrative						
Interest						
Other						
<b>NET INCOME</b>						

**PROJECTED EXPENSES STATEMENT**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
<b>Total</b>						
<b>% Increase Per Year</b>						
<b>OPERATIONAL EXPENSES</b>						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
<b>Total</b>						
<b>% Increase Per Year</b>						
<b>ASSUMPTIONS</b>						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

**PROJECTED SOURCES AND USES OF CASH STATEMENTS**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>SOURCES OF CASH</b>						
Net Income						
Depreciation (If Funded)						
Loan Proceeds						
Other						
<b>Total Sources</b>						
<b>USES OF CASH</b>						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
<b>Total Uses</b>						
<b>NET CASH FLOW</b>						
<b>DEBT SERVICE COVERAGE</b>						
Cash Available for Debt						
<b>Service (CADS)</b>						
Net Income (Loss)						
Depreciation, or Reserve Interest						
<b>Total</b>						
<b>REQUIRED DEBT SERVICE (RDS)</b>						
Principle Plus Interest						
<b>DEBT SERVICE COVERAGE RATIO</b>						
CADS Divided by RDS						



OFFICE OF THE SECRETARY OF STATE

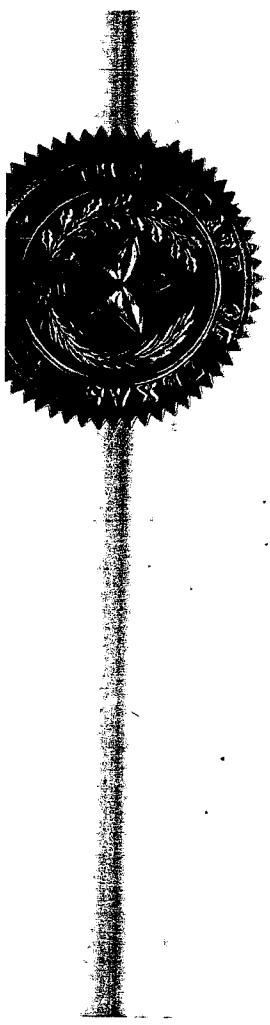
CERTIFICATE OF INCORPORATION  
OF

CHILDRESS CREEK WATER SUPPLY CORPORATION  
CHARTER NO. 260704

The undersigned, as Secretary of State of the State of Texas, hereby certifies that duplicate originals of Articles of Incorporation for the above corporation duly signed and verified pursuant to the provisions of the Texas Non-Profit Corporation and Article 1434a, V. A. C. S., of Texas Act, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Incorporation and attaches hereto a duplicate original of the Articles of Incorporation.

Dated May 9, 1969.  
*Martin Reed*  
Secretary of State





ARTICLE IV.

The Corporation is formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural community of WOMACK, Texas, and the surrounding rural areas. The places where the business of the Corporation is to be transacted shall be the WOMACK Community in BOSQUE County, Texas, and the surrounding rural areas.

ARTICLE V.

The street address of the initial registered office of the Corporation is 203 W. 5th Street, Clifton, Texas, and the name of its initial registered agent at such address is C. H. HOEL.

ARTICLE VI.

The number of directors constituting the initial Board of Directors of the Corporation is Seven (7), and the names and addresses of the persons who are to serve as the initial directors are:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
<u>BRUCE A. CHANEY</u>	<u>Star Route #1</u>	<u>Clifton, Texas</u>
<u>C. H. HOEL</u>	<u>Route #1</u>	<u>Clifton, Texas</u>
<u>CALVIN RUETER</u>	<u>Star Route #1</u>	<u>Clifton, Texas</u>
<u>RAYMOND H. WHITNEY</u>	<u>Route #2</u>	<u>Valley Mills, Texas</u>
<u>WALTER PRESCHER</u>	<u>Route #1</u>	<u>Clifton, Texas</u>
<u>JOE BOB FICKLIN</u>	<u>Route #2</u>	<u>Valley Mills, Texas</u>
<u>MRS. M. G. BRAMLETT</u>	<u>Star Route</u>	<u>Clifton, Texas</u>



ARTICLE VII.

The name and street address of each incorporator is:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
CALVIN RUETER	Star Route #1	Clifton, Texas
BRUCE A. CHANEY	Star Route #1	Clifton, Texas
C. H. HOEL	Route #1	Clifton, Texas

Each incorporator shall be a member of the Board of Directors who are to serve as directors until the first annual meeting of the members, or until their successors are elected and qualified.

ARTICLE VIII.

The Corporation is and shall continue to be a Corporation without capital stock, and membership in the Corporation shall be deemed personal estate and shall be transferable only on the books of the Corporation in such manner as the By-Laws may prescribe.

IN WITNESS WHEREOF, we have hereunto set out hands, this the 3rd day of May, 19 69.

Calvin Rueter  
Bruce Chaney  
C. H. Hoel  
\_\_\_\_\_  
\_\_\_\_\_

THE STATE OF TEXAS            ∅  
COUNTY OF BOSQUE           ∅

I, LESLIE B. VANCE, a Notary Public, do  
hereby certify that on this 3rd day of May, 1969,  
personally appeared before me CALVIN RUETER, BRUCE A. CHANEY, and  
C. H. HOEL

who each being by me first duly sworn, severally declared that they are the persons who signed the foregoing document as incorporators, and that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

Leslie B. Vance  
Notary Public in and for  
BOSQUE County, Texas.

(Notarial Seal)

My Commission expires June 1, 1969.

**BYLAWS**  
**of**  
**CHILDRESS CREEK WATER SUPPLY CORPORATION**

Bylaws of Childress Creek 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 and vote at all Members' and Directors' meetings. The President shall perform all other duties that usually pertain to the office or are delegated 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 custody of all monies, records and securities of the Corporation. The Secretary-Treasurer shall keep minutes of all meetings of the Corporation. All monies of the Corporation shall be deposited by the Secretary-Treasurer in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer or assistant or deputy secretary, and the President or a designee of that office. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed 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 that office.

The position of the Secretary-Treasurer, and other Board positions and/or employees 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 USDA Rural

Development, Rural Utilities Service (RUS) loans and be evidenced by a position fidelity schedule bond as acceptable to USDA Rural Development, RUS, or its successor agencies and assigns.

#### ARTICLE IV

Section 1. The Board of Directors shall consist of seven Directors, a majority of whom shall constitute a quorum. Following the annual membership meeting, 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' meetings provided for in Article VI of the Bylaws. 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 Members after their election; the terms of the Directors of the second class shall expire at the second annual meeting after their election; and 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. Directors, as such, shall not receive any stated salary for their services, except as provided for by state law. 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 appointed 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 (20) days prior to the 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, in accordance with the written annual or special meetings procedures as adopted by the Board. 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 Vice-President, 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 accordance with the procedures prescribed by the Board. The fact that the President, Vice-President, or any other Officer or Director has been made the subject of charges does not otherwise prevent such individual from continuing to act in the 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 interests of the Membership. Such policy, at a minimum, shall be in conformance with the provisions of the Texas NonProfit Corporation Act pertaining to duties and responsibilities of the Board of Directors.

## ARTICLE V

Section 1. Meetings of the Board of Directors shall be held at such time and place as the Board may determine, and shall include posting of the meeting as required by the Texas Open Meetings Act. The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Chapter 551, Texas Government Code, including any subsequent amendment 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.

Section 2. Any Director failing to attend two (2) consecutive meetings may be given written notice by the balance of the Board of Directors that failure by said Director to attend a third consecutive 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 appointed 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.

Section 3. The Board of Directors shall provide access for the public, new service applicants, or Members to the meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances; however, there shall be no deliberations or actions by the Board unless such has first been noticed in accordance with the Texas Open Meetings Act. The Board of Directors shall establish reasonable rules for access to such meetings.

Section 4. The Board of Directors may, upon lawful notice to the public, meet in executive session when permitted, in the manner and for such limited purposes as provided for in the Texas Open Meetings Act, as amended, and for no other reason. All proceedings of any meeting at which a quorum of Directors is present to discuss the business of the Corporation shall be recorded in the manner required by the Texas Open Meetings Act.

Section 5. In conducting their duties as members of the Board, Directors: (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation, or by legal counsel, public accountants, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith on information,

opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more Officers or employees of the Corporation, legal counsel, public accountants, or other persons provided the Directors reasonably believes such matters to fall within such person's professional or expert competence. Nevertheless, Directors must disclose any knowledge they may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

## ARTICLE VI

Section 1. There shall be a regular meeting of the Members annually, between January 1 and May 1, to transact all business that may be properly brought before it. The Secretary-Treasurer shall give at least fifteen (15) 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 Bylaws 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. Ten percent (10%) of the members, represented in person or by proxy, shall constitute a quorum for the transaction of business.

Section 2. The Board of Directors shall adopt, and from time to time may revise, written procedures for conducting annual or special Membership meetings, including the proxy and/or ballot form which shall be the official proxy and/or ballot for such meetings; procedures for proper notification of the Membership of such meetings and delivery of the Corporation's official proxy and/or ballot forms to the Membership; procedures to determine, qualify and register the eligible voters for such meetings; and procedures for canvassing all votes and recording the results of all elections at such meetings of the Membership.

Section 3. 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 at no time have sufficient board members appointed to constitute a quorum of the Board of Directors. This committee, in accordance with procedures adopted by the Board under Section 2, shall notify the Membership of annual or special Membership meetings and deliver the Corporation's official proxy and/or ballot forms to the Membership; determine, qualify, and register the eligible voters for such meeting; validate proxies, determine presence of quorum for conducting the meeting, canvas all votes, and record the results of such

elections. Should the individual holding the office of Secretary-Treasurer be running for re-election, the President shall appoint an officer not currently running for re-election to serve as chairperson of this committee.

Section 4. After fixing a date for the notice of a meeting, the Board of Directors shall prepare an alphabetical list of the names of all voting members who are entitled to vote as of the record date of the meeting. The list must show the address of each voting member. No later than two (2) business days after the date notice is given of the meeting, and continuing through the meeting, the list of voting members must be available for inspection by any member entitled to vote at the meeting for the purpose of communication with other members concerning the meeting at the Corporation's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. Any voting Member, or voting Member's agent or attorney, shall be allowed, on written demand, to inspect and, at a reasonable time and at their expense, copy the list. Further, the Board shall make the list of voting Members available at the meeting, and shall allow inspection of such list by any voting Member or voting Member's agent or attorney at any time during the meeting, including any adjournments thereof.

## ARTICLE VII

A special meeting of the Members or Directors may be called by the President, or by demand by a majority of the board members or one-third (1/3) of the Members. Such special meetings shall be held upon giving notice as required by the Texas Open Meetings Act.

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 required under Article 1396-2.11, Texas Revised Civil Statute, and as provided under Article V of these Bylaws. Such notice shall specify the time, place and purpose of the meeting, and shall be addressed and mailed to each of the Members at their address last known to the Corporation, personally delivered to each Member, or sent by facsimile to each Member.

Emergency meetings of the Directors may be held on rare occasions and only when clearly authorized by the Texas Open Meetings Act. Notice of such emergency meeting shall be provided under Article V of the Bylaws and the Texas Open Meetings Act, at least two hours before the meeting is



convened. It shall be the responsibility of the President, or a designee of that office, to ensure that proper notice is posted and Directors are properly notified. In no event shall any emergency meeting of the Directors be convened where the business of such meeting could be considered at a regular or special meeting of the Directors receiving at least seventy-two (72) hours notice as provided under Article V of these Bylaws.

### **ARTICLE VIII**

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 and, provided also, that the Directors of the Corporation may allocate to sinking fund(s) and reserve accounts such amount of profits as they deem necessary for maintenance, operation, capital improvements, expansions and replacements of all facility components, as provided by Section 67.008 (d) of the Texas Water code. Funds allocated by the Board to a sinking fund for replacement, amortization of debts, and the payment of interest that are not required to be spent in the year in which deposited shall be invested in accordance with the provisions of Section 67.014 (b) of the Texas Water Code.

### **ARTICLE IX**

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. Securities so purchased shall be deemed at all times to be part of the reserve fund account. 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 USDA Rural Development, RUS. 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.

## ARTICLE X

Section 1. The Corporation shall have Members as defined by the Texas Water Code. All customers of the Corporation must hold a Membership or obtain their service through a Membership. A person or entity that holds an interest in property solely as security for the performance of an obligation or that only builds on or develops the property for sale to others is required to hold a Membership as a condition to receive service. 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 served 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 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, religion, sex, age, marital status, familial status, handicap, income from Public Assistance, disability or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis.

Section 2. The Membership fee shall be as determined by the Board of Directors. 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 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 Members' 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 USDA Rural Development, RUS. Membership fees will be refundable.

#### ARTICLE XI

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 Memberships shall be deemed to be vested in those persons who are the record owners of Memberships as evidenced by the Membership transfer book on the 15<sup>th</sup> 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 XII

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 (including water service) 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 of real estate from which the Membership or other right of participation arose.

(c) The transfer of stock, Membership, or another right of participation under this section does not entitle the transferee to water service unless each condition for water service is met as provided in the Corporation's published rates, charges, and conditions of service. Water 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 persons or other entity's stock, Membership, or other right of participation if the person or other entity fails to meet the conditions for water 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 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 cancelled 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 service is requested, subject to compliance with the conditions for water service prescribed by the Corporation's published rates, charges, and conditions of service.

Section 2. Notwithstanding anything to the contrary here-in-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 XIII

The Board may employ a manager to handle the business of the Corporation under the direction of the Board. The Board shall set the salary for the manager.

#### 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 the 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 prior unpaid amounts due the Corporation. Any remaining balance from the membership fee will be refunded to the former member. In the event Membership is terminated, cancelled, 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 shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with the 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 service, that is exempt from ad valorem taxation.

#### ARTICLE XVI

The fiscal year of the Corporation shall be July 1 to June 30.

## 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 USDA Rural Development, RUS, 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 USDA Rural Development, RUS, 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 costs 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 USDA Rural Development, RUS, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all costs 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 USDA Rural Development, RUS, without a favorable vote of the majority of the Members. Any assessments levied to make up operations 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 their Membership certificate properly endorsed by 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 their obligation under special arrangements covering Multiple Membership certificates held by one Member which may have been required or approved by the USDA Rural Development, RUS.

## **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 USDA Rural Development, RUS. Such report shall be approved by the Board of Directors.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by the Public Information Act, Chapter 552, Texas Government Code, including any 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 Public Information Act and the provisions of the Bylaws, the provisions of the Public Information Act shall prevail.

## **ARTICLE XX**

These Bylaws may be altered, amended, or repealed by a vote of a majority of the Members present, whether in person or by proxy, at any regular meeting of the Members, or at any special meeting of the Members 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 the 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 Bylaws as to effect a fundamental change in the intents and purpose 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 USDA Rural Development, RUS, or its successor agencies and assigns, these Bylaws shall not be altered, amended, or repealed without the prior written consent of the State Director of the USDA Rural Development, RUS, for the State of Texas.

**ARTICLE XXI**

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

**ARTICLE XXII**

The Corporation pledges its assets for use in performing the functions of the corporation as provided by law and the Corporation's Articles of Incorporation.

**ARTICLE XXIII**

The above Bylaws and regulations were unanimously adopted by the Board of Directors of the CHILDRESS CREEK WATER SUPPLY CORPORATION, at a meeting in the Childress Creek Water Supply Corporations Office on the 20<sup>th</sup> day of March, 2007.



President

Attest:



Secretary-Treasurer





Persons Requesting Service

Neil Gates  
9408 Pioneer Dr.  
Woodway, Texas 76712  
254-776-4634

Mary Taylor  
2117 Via Del Norte  
Carrollton, Texas 75006  
972-416-6462

Charles and Ellen Stevenson  
924 FM 1637  
Valley Mills, Texas 76689  
254-749-1961

**Childress Creek Water Supply Corporation**

~~700 CR 3430~~ Clifton, Texas 76634

255 CR3405

Application for Hydraulic Investigation or Design to Serve Additional Meter or Meters

Application made this 5<sup>th</sup> day of June, 2008  
for water service study with Childress Creek Water Supply Corporation by:

Name: Neil Gates

Address: 9408 Pioneer DR.

City, State: Woodway, Tx. 76712

Telephone: (254) 976-4634 cell (254) 944-4460

hereafter called "applicant". Applicant agrees to pay a fee in advance, which is non-refundable for the purpose of engineering, paperwork, etc. Any added cost will be at the applicant's expense. This is *not* a service agreement, only an application for a service study. The charge is \$50.00 per meter.

3,000<sup>00</sup> meter

A time of two weeks should be allowed for engineering work-ups and mailings. The water system's Engineer will report his findings directly to the Board of Directors who will in turn contact the applicant.

Neil Gates  
Signature

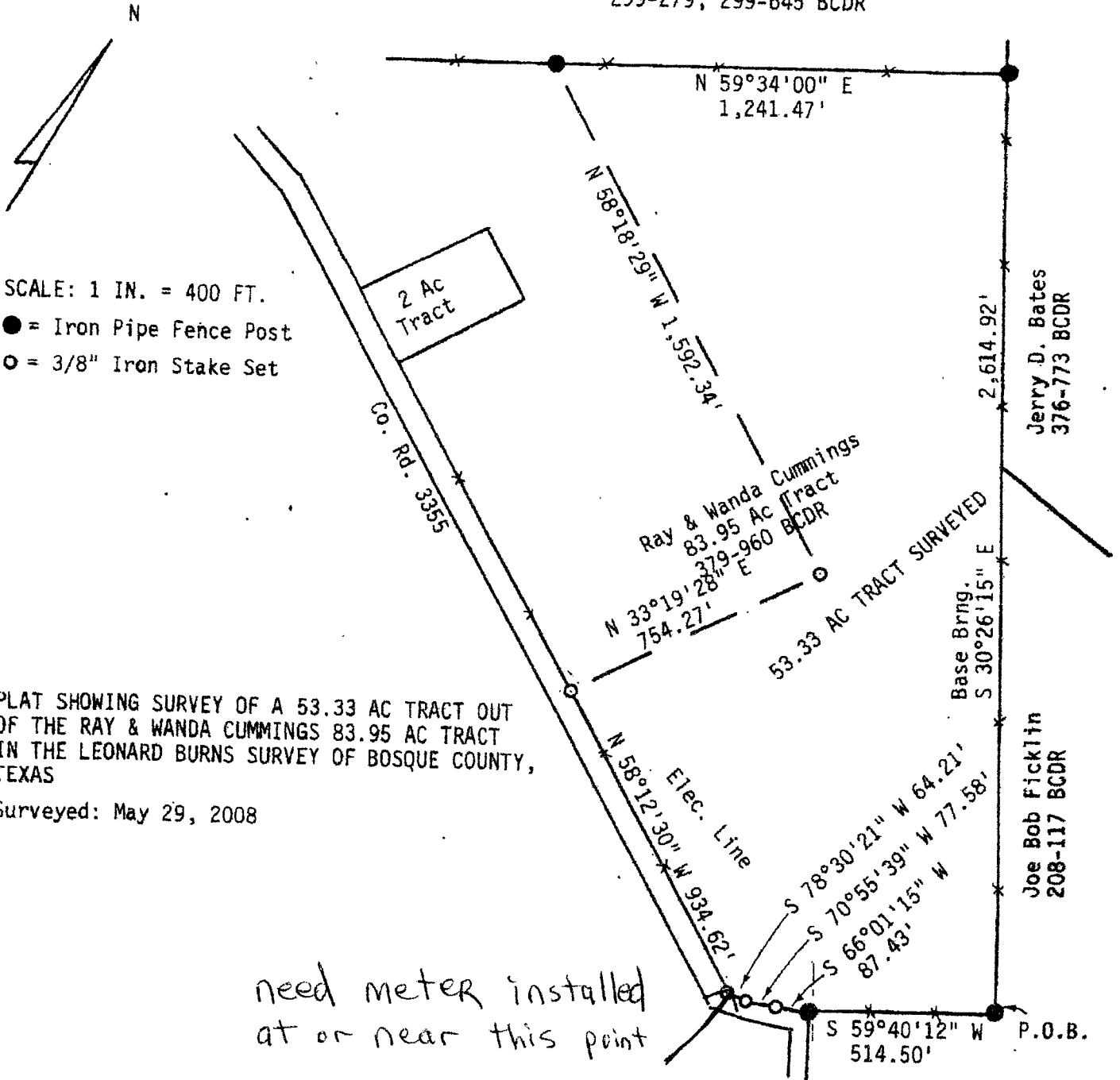
Paid: 50<sup>00</sup>

Check #: ~~5581~~ 5581

*Childress Creek W.S.C. Office Use Only-Please mark on the map the proposed applicant's meter location and attach to this request prior to forwarding to the Engineer.*

Engineers Report

Edward D. Sims  
299-279, 299-645 BCDR



SCALE: 1 IN. = 400 FT.

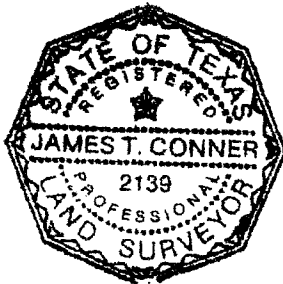
- = Iron Pipe Fence Post
- = 3/8" Iron Stake Set

PLAT SHOWING SURVEY OF A 53.33 AC TRACT OUT OF THE RAY & WANDA CUMMINGS 83.95 AC TRACT IN THE LEONARD BURNS SURVEY OF BOSQUE COUNTY, TEXAS

Surveyed: May 29, 2008

need meter installed at or near this point

*James T. Conner* 6-2-08



James T. Conner, R.P.L.S., Texas No. 2139  
804 FM 217  
Valley Mills, TX. 76689  
Phone: (254) 932-6268

Childress Creek Water Supply Corporation  
Meter Investigation for Neil Gates

July 15, 2008

I have investigated the addition of a meter for **Neil Gates** and find that the meter can be added to the system without improvements. The system will remain within current TCEQ requirements for pressure and flow during periods of peak demand.

Anna Duff Adamek, P.E.  
Anna Duff Adamek, P.E.

Date: 7-15-08



DUFF CONSULTING ENGINEERS, INC.  
4201 North 19th Street  
Waco, Texas 76708  
254-756-5414 FAX 254-753-2642  
duffengineering@grandecom.net

**Childress Creek Water Supply Corporation**

Application for Hydraulic Investigation or Design to Serve Additional Meter or Meters

---

Application No. \_\_\_\_\_

Application made this 11 day of Sept, 2008 for water service study with Childress Creek Water Supply Corporation by:

Name: MARY Taylor

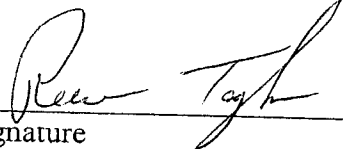
Address: 2117 Via Del Norte

City, State: CARRO Llor TX 75006

Telephone: 972-416-6462

hereafter called "applicant". Applicant agrees to pay a fee in advance, which is non-refundable for the purpose of engineering, paperwork, etc. Any added cost will be at the applicant's expense. This is not a service agreement, only an application for a service study. The charge is \$50.00 per meter.

**A time of three weeks should be allowed for engineering work-ups and mailings. The water system's Engineer will report his findings directly to the Board of Directors who will in turn contact the applicant.**

  
Signature

Paid: 150.00

Check #: 2055

---

*Childress Creek W.S.C. Office Use Only-Please mark on the map the proposed applicant's meter location and attach to this request prior to forwarding to the Engineer.*

Engineers Report

Childress Creek Water Supply Corp.  
700 CR 3430  
Clifton, Texas 76634

Need help on the go? Get Voice Activated Directions for free. Call **1-800-FREE411** (1-800-373-3411).

# MAPQUEST

CTZ 4060

Condition	Score
Good	660 - 749
Fair	620 - 659
Poor	340 - 619
I Don't Know	????

**Find out INSTANTLY!**

A: 2071 Rock Ridge Rd, Valley Mills, TX 76689-2633



We are selling our house/property.  
This inquiry is part of the negotiations  
that affect closing. If possible,  
could you please put a  
rush on this?

**Childress Creek Water Supply Corporation**  
355 CR 3405 Clifton, Texas 76634

Thank you for Application for Hydraulic Investigation or Design to Serve Additional Meter or Meters  
your consideration.

*C. Stevenson*

Application made this 2 day of Sept., 20 08  
for water service study with Childress Creek Water Supply Corporation by:

Name: Charles & Ellen Stevenson

Address: 924 FM 1637

City, State: Valley Mills, TX 76689

Telephone: 254-749-1961

hereafter called "applicant". Applicant agrees to pay a fee in advance, which is non-refundable for the purpose of engineering, paperwork, etc. Any added cost will be at the applicant's expense. This is not a service agreement, only an application for a service study. The charge is \$50.00 per meter.

A time of two weeks should be allowed for engineering work-ups and mailings. The water system's Engineer will report his findings directly to the Board of Directors who will in turn contact the applicant.

Charles M. Stevenson / Ellen Stevenson  
Signature

Paid: \_\_\_\_\_

Check #: \_\_\_\_\_

*Childress Creek W.S.C. Office Use Only-Please mark on the map the proposed applicant's meter location and attach to this request prior to forwarding to the Engineer.*

Engineers Report

RUS-TX Bulletin 1780-9 (Revised 09/02)

# Childress Creek WATER SUPPLY CORPORATION SERVICE APPLICATION AND AGREEMENT

CORPORATION USE ONLY	
Date Approved:	_____
Service Classification:	_____
Cost:	_____
Work Order Number:	_____
Eng. Update:	_____
Account Number:	_____
Service Inspection Date:	_____

Please Print

DATE 9-2-08

APPLICANT'S NAME Charles Stevenson

CO-APPLICANT'S NAME Ellen Stevenson

CURRENT BILLING ADDRESS:

FUTURE BILLING ADDRESS:

924 FM 1637  
Valley Mills TX 76689

?

PHONE NUMBER - Home (254) 749 - 1961

cell (254) 749 - 1343  
Work

PROOF OF OWNERSHIP PROVIDED BY \_\_\_\_\_

DRIVER'S LICENSE NUMBER OF APPLICANT \_\_\_\_\_

LEGAL DESCRIPTION OF PROPERTY (Include name of road, subdivision with lot and block number)

PREVIOUS OWNER'S NAME AND ADDRESS (if transferring Membership)

ACREAGE 4.41

HOUSEHOLD SIZE 2000 sq ft

NUMBER IN FAMILY 2

LIVESTOCK & NUMBER 0

SPECIAL SERVICE NEEDS OF APPLICANT \_\_\_\_\_

NOTE: FORM MUST BE COMPLETED BY APPLICANT ONLY. A MAP OF SERVICE LOCATION REQUEST MUST BE ATTACHED.

The following information is requested by the Federal Government in order to monitor compliance with Federal laws prohibiting discrimination against applicants seeking to participate in this program. You are not required to furnish this information, but are encouraged to do so. This information will not be used in evaluating your application or to discriminate against you in any way. However, if you choose not to furnish it, we are required to note the race/national origin of individual applicants on the basis of visual observation or surname.

- |   |  |  |                                   |  |  |  |  |
|---|--|--|-----------------------------------|--|--|--|--|
| <input checked="" type="checkbox"/> White, Not of Hispanic Origin | <input type="checkbox"/> Black, Not of Hispanic Origin | <input type="checkbox"/> American Indian or Alaskan Native | <input type="checkbox"/> Hispanic | <input type="checkbox"/> Asian or Pacific Islander | <input type="checkbox"/> Other (Specify) | <input checked="" type="checkbox"/> Male | <input checked="" type="checkbox"/> Female |
|---|--|--|-----------------------------------|--|--|--|--|

EQUAL OPPORTUNITY PROGRAM



MI 56

Rock Springs Creek

FM 1637

CR 3527

CR 3528

ROCK RIDGE RD

PANTHER BRANCH RD

HIGHLINE RD

MAC RD

China S  
China

MILL

BAULE  
417.281

MIS

419 431 440

435 470 503 478 430

502 155

460

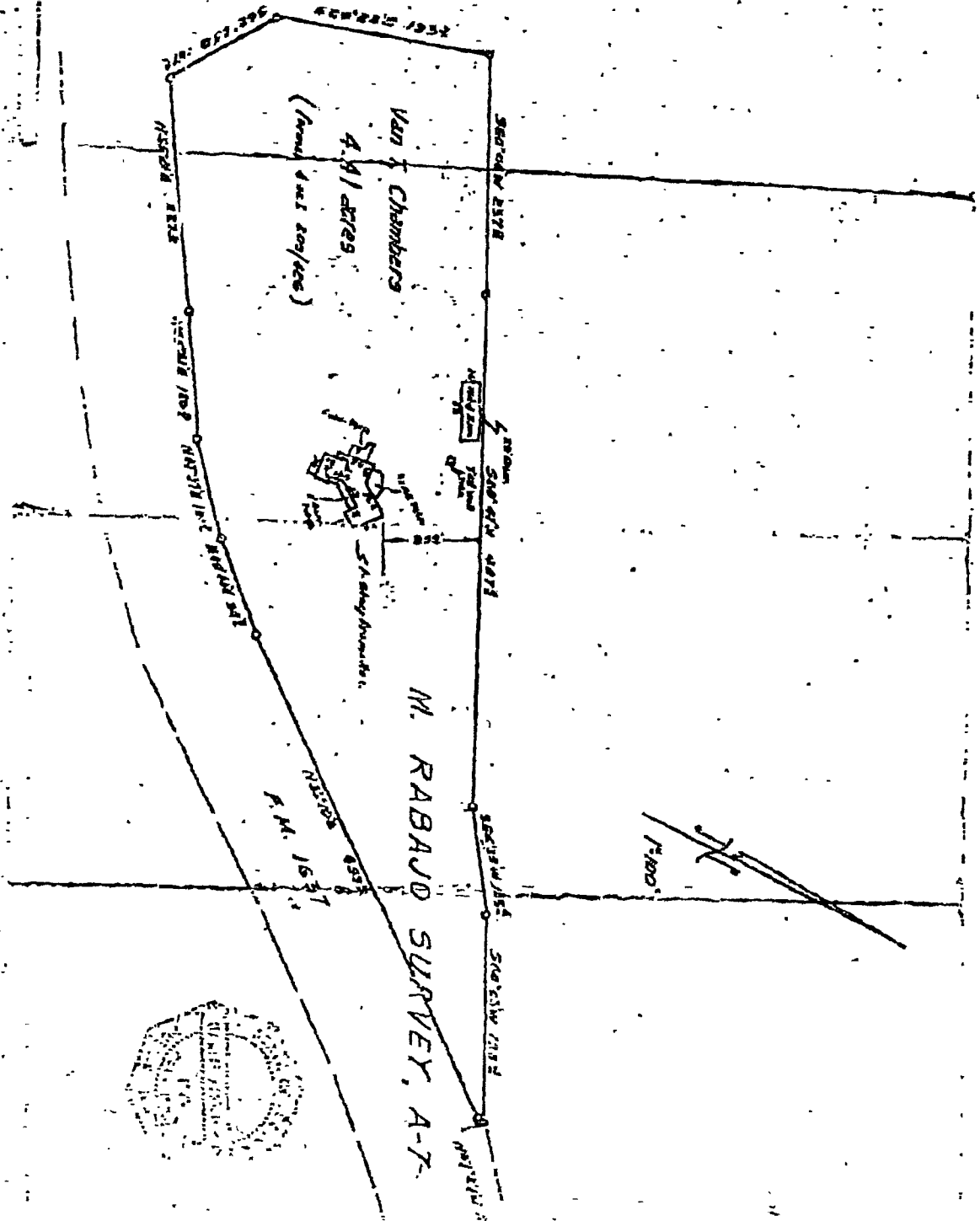
472 161

475 477 475 475 475 475

3199

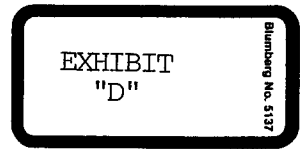
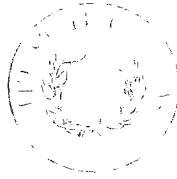
88

# Exhibit A Continued



BR

Kathleen Hartnett White, *Chairman*  
Larry R. Soward, *Commissioner*  
Glenn Shankle, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

August 17, 2006

### CERTIFIED MAIL


Calvin Rueter, Registered Agent  
Childress Creek Water Supply Corporation  
700 County Road 3430  
Clifton, Texas 76634-3373

RE: Childress Creek Water Supply Corporation  
TCEQ Docket No. 2006-0336-PWS-E; TCEQ Registration No. 0180026  
Agreed Order Assessing Administrative Penalties and Requiring Certain Actions

Enclosed is a copy of an order issued by the Commission.

Questions regarding the order should be directed to the Enforcement Coordinator or the Staff Attorney. If there are questions pertaining to the mailing of the order, then please contact Melissa Radke of the Texas Commission on Environmental Quality's Office of the Chief Clerk (MC 105) at (512) 239-3317.

Sincerely,

  
LaDonna Castañuela  
Chief Clerk

LDC/mr

Enclosure

cc: Sandy Vancleave, Enforcement Coordinator, TCEQ Enforcement Division (MC 219)  
Josephs Anudokem, Investigator, TCEQ Regional Office (MC R-9)

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS  
COUNTY OF ...  
I hereby certify that this is a true and correct copy of a  
Texas Commission on Environmental Quality document,  
which is filed in the permanent records of the Commission.  
Given under my hand and the seal of office on

*[Signature]* **AUG 17 2006**

L. Donna G... Chief Clerk  
Texas Commission on Environmental Quality

IN THE MATTER OF AN  
ENFORCEMENT ACTION  
CONCERNING  
CHILDRESS CREEK WATER  
SUPPLY CORPORATION  
RN101248904

§  
§  
§  
§  
§  
§

BEFORE THE  
  
TEXAS COMMISSION ON  
  
ENVIRONMENTAL QUALITY

AGREED ORDER  
DOCKET NO. 2006-0336-PWS-E

I. JURISDICTION AND STIPULATIONS

At its **AUG 09 2006** agenda, the Texas Commission on Environmental Quality ("the Commission" or "TCEQ") considered this agreement of the parties, resolving an enforcement action regarding Childress Creek Water Supply Corporation ("Childress Creek") under the authority of TEX. HEALTH & SAFETY CODE ch. 341. The Executive Director of the TCEQ, through the Enforcement Division, and Childress Creek appear before the Commission and together stipulate that:

1. Childress Creek owns and operates a public water supply at 700 County Road 3430 in Bosque County, Texas (the "Facility") that has approximately 679 service connections and serves at least 25 people per day for at least 60 days per year.
2. The Commission and Childress Creek agree that the Commission has jurisdiction to enter this Agreed Order, and that Childress Creek is subject to the Commission's jurisdiction.
3. Childress Creek received notice of the violations alleged in Section II ("Allegations") on or about March 20, 2006.
4. The occurrence of any violation is in dispute and the entry of this Agreed Order shall not constitute an admission by Childress Creek of any violation alleged in Section II ("Allegations"), nor of any statute or rule.
5. An administrative penalty in the amount of Three Thousand Six Hundred Fifty Dollars (\$3,650) is assessed by the Commission in settlement of the violations alleged in Section II ("Allegations"). Childress Creek has paid Two Thousand Nine Hundred Twenty Dollars (\$2,920) of the administrative penalty and Seven Hundred Thirty Dollars (\$730) is deferred contingent upon Childress Creek's timely and satisfactory compliance with all the terms of this Agreed Order. The deferred amount will be waived upon full compliance with the terms of this Agreed Order. If Childress Creek fails to timely and satisfactorily comply with all requirements of this Agreed Order, the Executive Director may require Childress Creek to pay all or part of the deferred penalty.

6. Any notice and procedures which might otherwise be authorized or required in this action are waived in the interest of a more timely resolution of the matter.
7. The Executive Director of the TCEQ and Childress Creek have agreed on a settlement of the matters alleged in this enforcement action, subject to the approval of the Commission.
8. The Executive Director recognizes that the TCEQ Waco Regional Office received documentation on January 4, 2006, showing that Childress Creek has implemented the following corrective measures at the Facility:
  - a. Locked the roof hatches on the two 40,000 gallon ground storage tanks ("GST") at Plant No. 1 with a lock;
  - b. Provided a gasket on the roof hatch of the 40,000 gallon GST that makes a positive seal when closed at Plant No. 6;
  - c. Properly sealed the wellhead on Well No. G0180026B;
  - d. Provided a 16-mesh or finer corrosion-resistant screen on the opening of the well casing vent for Well Nos. G0180026B, G0180026D and G0180026E;
  - e. Provided a 16-mesh or finer corrosion-resistant screen on the roof vent of the 40,000 gallon GST at Plant No. 1; and
  - f. Began maintaining a free chlorine residual of 0.2 milligrams per liter ("mg/L") within the distribution system.
9. The Executive Director may, without further notice or hearing, refer this matter to the Office of the Attorney General of the State of Texas ("OAG") for further enforcement proceedings if the Executive Director determines that Childress Creek has not complied with one or more of the terms or conditions in this Agreed Order.
10. This Agreed Order shall terminate five years from its effective date or upon compliance with all the terms and conditions set forth in this Agreed Order, whichever is later.
11. The provisions of this Agreed Order are deemed severable and, if a court of competent jurisdiction or other appropriate authority deems any provision of this Agreed Order unenforceable, the remaining provisions shall be valid and enforceable.

## II. ALLEGATIONS

As owner and operator of the Facility, Childress Creek is alleged to have:

1. Failed to ensure that the roof hatch on the GST is locked, in violation of 30 TEX. ADMIN. CODE § 290.43(c)(2), as documented during an investigation conducted on December 6, 2005.

2. Failed to ensure that the gasket used on the roof hatch of the GST makes a positive seal when the hatch is closed, in violation of 30 TEX. ADMIN. CODE § 290.43(c)(2), as documented during an investigation conducted on December 6, 2005.
3. Failed to provide a full-face self-contained breathing apparatus or supplied air respirator that meets Occupational Safety and Health Administration ("OSHA") standards for construction and operation, in violation of 30 TEX. ADMIN. CODE § 290.42(e)(4)(A), as documented during an investigation conducted on December 6, 2005.
4. Failed to provide a well casing that extends a minimum of 18 inches above the elevation of the finished floor of the pump room or natural ground surface and a minimum of one inch above the sealing block or pump motor foundation block, in violation of 30 TEX. ADMIN. CODE § 290.41(c)(3)(B), as documented during an investigation conducted on December 6, 2005.
5. Failed to seal the wellhead with a gasket or sealing compound, in violation of 30 TEX. ADMIN. CODE § 290.41(c)(3)(K), as documented during an investigation conducted on December 6, 2005.
6. Failed to provide the well casing vent opening with a 16-mesh or finer corrosion-resistant screen, facing downward, elevated and located so as to minimize the drawing of contaminants into the well, in violation of 30 TEX. ADMIN. CODE § 290.41(c)(3)(K), as documented during an investigation conducted on December 6, 2005.
7. Failed to keep and make available for Commission review required records for the water system, in violation of 30 TEX. ADMIN. CODE § 290.46(f)(2), as documented during an investigation conducted on December 6, 2005.
8. Failed to conduct customer service inspections by an individual that is a Plumber Inspector or Water Supply Protection Specialist licensed by the Texas State Board of Plumbing Examiners or by a Customer Service Inspector who has completed a Commission approved course, passed an examination administered by the Executive Director, and hold current professional certification or endorsement as a customer service inspector, in violation of 30 TEX. ADMIN. CODE § 290.46(j)(1)(A) and (B), as documented during an investigation conducted on December 6, 2005.
9. Failed to maintain a minimum of 35 pounds per square inch at all times throughout the distribution system, in violation of 30 TEX. ADMIN. CODE § 290.44(d), as documented during an investigation conducted on December 6, 2005.
10. Failed to provide the roof vent on the GST with a screen that is fabricated of corrosion-resistant material that is 16-mesh or finer, in violation of 30 TEX. ADMIN. CODE § 290.43(c)(1), as documented during an investigation conducted on December 6, 2005.
11. Failed to maintain a residual disinfectant concentration in the water within the distribution system at a minimum of 0.2 mg/L free chlorine or 0.5 mg/L chloramine, in violation of 30 TEX. ADMIN. CODE § 290.110(b)(4), as documented during an investigation conducted on December 6, 2005.

12. Failed to provide two or more pumps that have a total capacity of 2.0 gallons per minute ("gpm") per connection or that have a total capacity of at least 1,000 gpm and the ability to meet peak hourly demands with the largest pump out of service, whichever is less, at each pump station or pressure plane, in violation of 30 TEX. ADMIN. CODE § 290.45(b)(1)(D)(iii), as documented during an investigation conducted on December 6, 2005.

### III. DENIALS

Childress Creek generally denies each allegation in Section II ("Allegations").

### IV. ORDERING PROVISIONS

1. It is, therefore, ordered by the TCEQ that Childress Creek pay an administrative penalty as set forth in Section I, Paragraph 5 above. The imposition of this administrative penalty and Childress Creek's compliance with all the terms and conditions set forth in this Agreed Order resolve only the allegations in Section II. The Commission shall not be constrained in any manner from requiring corrective action or penalties for violations which are not raised here. Administrative penalty payments shall be made payable to "TCEQ" and shall be sent with the notation "Re: Childress Creek Water Supply Corporation, Docket No. 2006-0336-PWS-E" to:

Financial Administration Division, Revenues Section  
Attention: Cashier's Office, MC 214  
Texas Commission on Environmental Quality  
P.O. Box 13088  
Austin, Texas 78711-3088

2. It is further ordered that Childress Creek shall undertake the following technical requirements:
  - a. Within 30 days after the effective date of this Agreed Order:
    - i. Provide the chlorinator room at Plant No. 1 with a full-face self-contained breathing apparatus or supplied air respirator that meets OSHA standards for construction and operation, as required by 30 TEX. ADMIN. CODE § 290.42; and
    - ii. Begin maintaining all required records and provide a copy of the plant operations manual, cementing certificates and drillers logs for all wells, as required by 30 TEX. ADMIN. CODE § 290.46.
  - b. Within 45 days after the effective date of this Agreed Order, submit written certification as described in Ordering Provision 2.h, and include detailed supporting documentation including photographs, receipts, and/or other records to demonstrate compliance with Ordering Provision 2.a.

- c. Within 60 days after the effective date of this Agreed Order:
- i. Provide a well casing that extends a minimum of 18 inches above the elevation of the finished floor of the pump room or natural ground surface and a minimum of one inch above the sealing block or pump motor foundation block for well nos. G0180026A, G0180026B and G0180026C, as required by 30 TEX. ADMIN. CODE § 290.41; and
  - ii. Begin conducting customer service inspections by an individual with the proper license or certification and provide copies of completed customer service inspections certifications, as required by 30 TEX. ADMIN. CODE § 290.46.
- d. Within 75 days after the effective date of this Agreed Order, submit written certification as described in Ordering Provision 2.h, and include detailed supporting documentation including photographs, receipts, and/or other records to demonstrate compliance with Ordering Provision 2.c.
- e. Within 90 days after the effective date of this Agreed Order, maintain a minimum 35 psi at all times throughout the distribution system, as required by 30 TEX. ADMIN. CODE § 290.44.
- f. Within 105 days after the effective date of this Agreed Order, submit written certification as described in Ordering Provision 2.h, and include detailed supporting documentation including photographs, receipts, and/or other records to demonstrate compliance with Ordering Provision 2.e.
- g. Within 180 days after the effective date of this Agreed Order, provide two or more service pumps that have a total capacity of 2.0 gpm per connection at pressure plane two and pressure plane three, as required by 30 TEX. ADMIN. CODE § 290.45.
- h. Within 195 days after the effective date of this Agreed Order, submit written certification as described below, and include detailed supporting documentation including photographs, receipts, and/or other records to demonstrate compliance with Ordering Provision 2.g.

The certification shall be notarized by a State of Texas Notary Public and include the following certification language:

“I certify under penalty of law that I have personally examined and am familiar with the information submitted and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.”



The certification shall be submitted to:

Order Compliance Team  
Enforcement Division, MC 149A  
Texas Commission on Environmental Quality  
P.O. Box 13087  
Austin, Texas 78711-3087

with a copy to:

Manager, Water Section  
Waco Regional Office  
Texas Commission on Environmental Quality  
6801 Sanger Avenue, Suite 2500  
Waco, Texas 76710-7826

3. The provisions of this Agreed Order shall apply to and be binding upon Childress Creek. Childress Creek is ordered to give notice of the Agreed Order to personnel who maintain day-to-day control over the Facility operations referenced in this Agreed Order.
4. The Executive Director may grant an extension of any deadline in this Agreed Order or in any plan, report, or other document submitted pursuant to this Agreed Order, upon a written and substantiated showing of good cause. All requests for extensions by Childress Creek shall be made in writing to the Executive Director. Extensions are not effective until Childress Creek receives written approval from the Executive Director. The determination of what constitutes good cause rests solely with the Executive Director.
5. This Agreed Order, issued by the Commission, shall not be admissible against Childress Creek in a civil proceeding, unless the proceeding is brought by the OAG to: (1) enforce the terms of this Agreed Order; or (2) pursue violations of a statute within the Commission's jurisdiction, or of a rule adopted or an order or permit issued by the Commission under such a statute.
6. This agreement may be executed in multiple counterparts, which together shall constitute a single original instrument. Any executed signature page to this Agreement may be transmitted by facsimile transmission to the other parties, which shall constitute an original signature for all purposes.
7. Under 30 TEX. ADMIN. CODE § 70.10(b), the effective date is the date of hand-delivery of the Order to Childress Creek, or three days after the date on which the Commission mails notice of the Order to Childress Creek, whichever is earlier. The Chief Clerk shall provide a copy of this Agreed Order to each of the parties.

SIGNATURE PAGE

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Kathleen H. White

For the Commission

[Signature]

For the Executive Director

6/22/06

Date

I, the undersigned, have read and understand the attached Agreed Order. I am authorized to agree to the attached Agreed Order on behalf of the entity, if any, indicated below my signature, and I do agree to the terms and conditions specified therein. I further acknowledge that the TCEQ, in accepting payment for the penalty amount, is materially relying on such representation.

I also understand that my failure to comply with the Ordering Provisions, if any, in this order and/or my failure to timely pay the penalty amount, may result in:

- A negative impact on my compliance history;
- Greater scrutiny of any permit applications submitted by me;
- Referral of this case to the Attorney General's Office for contempt, injunctive relief, additional penalties, and/or attorney fees, or to a collection agency;
- Increased penalties in any future enforcement actions against me;
- Automatic referral to the Attorney General's Office of any future enforcement actions against me; and
- TCEQ seeking other relief as authorized by law.

In addition, any falsification of any compliance documents may result in criminal prosecution.

Calvin Rueter

Signature

5-30-06

Date

Calvin Rueter

Name (Printed or typed)

Authorized Representative of

Childress Creek Water Supply Corporation

President

Title

**Instructions:** Send the original, signed Agreed Order with penalty payment to the Financial Administration Division, Revenues Section at the address in Section IV, Paragraph 1 of this Agreed Order.

**GK Glass & Koehler**  
**Contract Services**  
PO BOX 107 CRANFILLS GAP, TX 76637

September 5, 2066

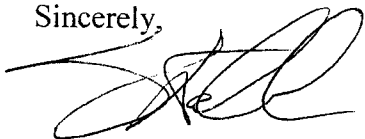
TCEQ Water Supply Division,  
Public Drinking Water Section, MCC 155  
PO Box 13087  
Austin, TX 78711-3087

Re: Violations as stated in letter dated august 17, 2006

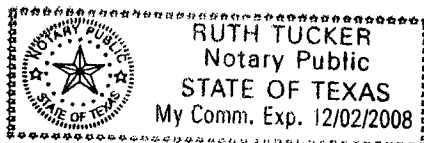
To Whom It May Concern:

Glass and Koehler Contract Services has met the required corrections regarding the violations for Childress creek water supply Corporation. We have corrected these code violations 290.43 c (2), 290.41 c (3) (k), 290.46 (j) (l) (a) and (b), 290.43 (c) (1), 290.110(b) (4).

Sincerely,



Sean Koehler  
Co-Owner  
Glass and Koehler Contract Services



*Ruth Tucker*

9-5-06

## FM Checklist

Applicant: Childress Creek Water Supply Corporation (WSC) to Amend Certificate of Convenience and Necessity (CCN) No. 11000, in Bosque and McLennan Counties

Application No.: 36263-C

Childress Creek WSC applies to amend their CCN primarily to change to a bounded are from "facilities plus 200 feet." The total area is about 78,000 acres in which they have extensive existing line, but there would be some land-locked areas included, for which service would likely never be needed. Childress presently provides service to 679 meters according to the database.

The application includes a copy of the audit for Childress Creek for the fiscal year ended June 30, 2007. It is performed by Richard D. Lundberg, P.C., CPA in Clifton, and contains his unqualified opinion. The balance sheet showed total assets of \$1,908,427, of which over \$618,000 was cash. Another \$48,918 was a time deposit restricted for reserve. Term debt was \$268,899 and equity was \$1,666,038 for a debt to equity ratio of 0.16:1. The statement of income showed net income of \$86,576 after covering depreciation expense of \$107,953, and interest expense of \$14,854. So, cash available for debt service would be \$209,383, and required principal and interest payment for the next year is estimated at \$33,362, for a debt service coverage ratio of 6.28:1. Projections were not provided nor required.

In my opinion, this applicant has demonstrated adequate financial and managerial capability to provide service to the requested area. These conclusions are based on information provided by the applicant prior to this date and may not reflect any changes in the applicant's status subsequent to this date.

Signed: Dan Smith

Date: January 30, 2009

<b>A. PROJECTED # OF CONNECTIONS</b>	
1. The customer classes and meter sizes are appropriate for the type of development and the predicted consumption patterns.	Date: 01/30/09
Comments: Projections were not provided or required.	

# FM Checklist

Applicant: Childress Creek Water Supply Corporation (WSC) to Amend Certificate of Convenience and Necessity (CCN) No. 11000, in Bosque and McLennan Counties

Application No.: 36263-C

2. The growth projections are verifiable and make sense. Note: A growth rate greater than 10% per year will require significant documentation.	Date:
Comments:	

<b>B. FEASIBILITY OF OBTAINING SERVICE FROM ALTERNATE SOURCES OF SUPPLY WITHIN A 2-MILE RADIUS</b>	
1. There are no alternate sources within a 2-mile radius. Go to section C.	Date: 01/30/09
Comments: This is area to which the applicant has been providing service for many years, with just a few small "donut hole" additions for bounded description.	
2. Application for service was denied. Go to section C.	Date:
Comments:	
3. Applicant is asserting that interconnection is infeasible.	Date:
Comments:	
4. Documentation of the cost of interconnection is verifiable.	Date:
Comments:	
5. Cost information includes the cost of initiating service.	Date:
Comments:	

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Application No.: 36263-C

6. Cost information includes the cost of any facilities that may be need to be constructed to obtain service	Date:
Comments:	
7. Cost information includes costs of receiving and maintaining service for 5 years	Date:
Comments:	
8. Assumptions about the cost of receiving and maintaining service are based on valid information	Date:
Comments:	

<b>C. FEE FOR SERVICE</b>	
1. Projected number of connections agrees with assumptions listed.	Date: 01/30/09
Comments: Projections were not provided or required.	

# FM Checklist

Applicant: Childress Creek Water Supply Corporation (WSC) to Amend Certificate of Convenience and Necessity (CCN) No. 11000, in Bosque and McLennan Counties

Application No.: 36263-C

2. Consumption assumptions are reasonable in light of the types of consumers expected to be on the system, e.g., large homes on large lots versus mobile home parks, or residential versus commercial.	Date:
Comments:	
3. Proposed rates reflect cost of service and are affordable. [Could consider the percentage of Median Household Income]	Date:
Comments:	

<b>D. DOCUMENTATION RELATED TO PROVIDING SERVICE USING APPLICANT'S FACILITIES</b>	
<i>Note: This section applies to NEW CCNs and substantial amendments.</i>	
1. Cost of construction is based on engineering estimates.	Date:
Comments:	
2. Cost of maintaining and operating the system includes <b>reasonable</b> amounts for a contract operations company.	Date:
Comments:	

## FM Checklist

Applicant: Childress Creek Water Supply Corporation (WSC) to Amend Certificate of Convenience and Necessity (CCN) No. 11000, in Bosque and McLennan Counties

Application No.: 36263-C

3. Cost of maintaining and operating the system includes <b>reasonable</b> amounts for the following:(☆ - Insert Comment # in this column)					
Expense Item	Yes	☆	Expense Item	Yes	☆
Wholesale water or sewer			Insurance - office equipment		
Salaries - O & M Staff			Legal fees		
Salaries - Admin staff			Engineering fees		
Salaries - Owner			Employee training		
Power for operating all facilities			Office supplies/postage		
Treatment Chemicals			Telephone/other office utilities		
Monitoring/Testing			Office rent		
M & R materials & labor			Accounting		
Vehicle maintenance expenses			Income taxes		
Contract Labor			Property taxes		
Equipment rental			Employment taxes		
Insurance - vehicle			Debt service		
Insurance - liability			Bad debt expense		
Insurance - Workmen's comp			Lease payments		
Includes cost of operating system for 5 years:				Date:	
Comments (Number comments to correspond with numbers above:					



## FM Checklist

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<b>E. FINANCING</b>	
1. Applicant has identified sources for funding construction and capital improvements.	Date: 01/30/09
Comments: Yes, the applicant has reserve and good cash flow.	
2. Sources of revenue for construction and capital improvements are verifiable and documented.	Date: 01/30/09
Comments: Yes	
3. Sources of revenue for construction and capital improvements are guaranteed or reasonably assured.	Date: 01/30/09
Comments: Reasonably assured	
4. Sources of revenue for shortfalls, other than from rates, are guaranteed, or reasonably assured.	Date: 01/30/09
Comments: Reasonably assured	
5. Applicant has contingency financing plan to fund any unforeseen repairs or equipment replacements, e.g. Reserves equal to depreciation or 1/8 O & M.	Date: 01/30/09
Comments: Yes	

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Application No.: 36263-C

<b>F. OWNERSHIP</b>	
1. Applicant has identified current and any future potential owners.	Date: 01/30/09
Comments: Yes	
2. Applicant has identified all other affiliated businesses.	Date: 01/30/09
Comments: Yes	
3. Applicant has documented qualifications of all organizations and persons who will be involved in the operation of the system.	Date: 01/30/09
Comments: Yes	

<b>G. CONCLUSIONS</b>	
1. The source to be used is identified and documentation supports the application.	Date: 01/30/09
Comments: Yes	
2. Applicant is capable/of financing and operating the system for at least the 1 <sup>st</sup> 5 years of operation if the applicant provides financial assurance in the amount of \$ _____ 0 _____.	Date: 01/30/09
Comments: Yes	