



Control Number: 46472



Item Number: 11

Addendum StartPage: 0

January 5, 2017

Public Utility Commission of Texas

Central Records

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Austin, TX 78701

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PUBLIC UTILITY COMMISSION  
FILING CLERK

DOCKET 46472, APPLICATION OF Deer Country Water Supply Corporation and MJ Wootan.

Requested information and copies enclosed.

We ask that you please consider our request for a 30 day extension.

Sincerely,

Darlene Carlson

325-423-2009

11



Darlene Carlson &lt;darlenemcarlson@gmail.com&gt;

**Docket 46472, Application of Deer Country WSC and MJ Wootan STM**

2 messages

RéyesTamayo, Debbie &lt;Debbie.ReyesTamayo@puc.texas.gov&gt;

Tue, Dec 20, 2016 at 9:48 AM

To: "darlenemcarlson@gmail.com" &lt;darlenemcarlson@gmail.com&gt;

Cc: "Chang, Sam" &lt;Sam.Chang@puc.texas.gov&gt;, "Ramirez, Jonathan" &lt;Jonathan.Ramirez@puc.texas.gov&gt;, "Herrera, Ricky" &lt;Ricky.Herrera@puc.texas.gov&gt;

**Docket 46472, Application of Deer Country Water Supply Corporation (WSC) and MJ Wootan**

(Estate) for Sale, Transfer, and Merger of Facilities and Certificate of Convenience and Necessity

(CCN) Rights in Llano County

**REQUEST OF INFORMATION**

**As requested under Item # 7: During the technical review phase of the application, the Applicants must provide the following additional information:**

**Application Content**

- ✓ • A copy of the proposed agreement between the Buyer and the Seller, contingent contract, or other documentation supporting the fact that the parties agree to the proposed transaction.
- ✓ • A copy of the Seller's most current approved tariff.
- ✓ • A copy of the most recent Texas Commission on Environmental Quality (TCEQ) inspection reports for each water system owned by the Applicant.
- A copy of the Articles of Incorporation
- ✓ • A copy of By-Laws

**Financial Content**

- A complete historical Balance Sheet if available (Deer Country). ~~o~~
- Projected long term debt (Deer Country) ~~o~~

Please forward to MJ Wootan and if they have an e-mail, please let me know.

Staff will not be able to move forward after the end of the comment period January 5, till we receive the above information.

**EARNEST MONEY CONTRACT**

**DATE:** January 3, 2017

**SELLER(S):** BILLY JAY WOOTAN, Co-Independent Executor of THE ESTATE OF M. J. WOOTAN

**SELLER(S) ADDRESS:** P.O. Box 927, Llano, Llano County, Texas 78643

**BUYER(S):** DEER COUNTRY WATER SUPPLY CORPORATION, a Texas corporation

**BUYER(S) ADDRESS:** 215 Wootan Lane, Llano, Llano County, Texas 78643

THIS IS AN AGREEMENT whereby Seller, agrees to sell to Buyer, who agrees to purchase, upon the terms and provisions hereof, the following described real and personal property, in its present condition, situated in Llano County, Texas, to-wit:

Any and all real and personal property of the Deer Country Water Supply System, located in Deer Country Phase I being an unrecorded subdivision out of the J. P. Hewett Survey No. 14, Abstract No. 1154, in Llano County, Texas and in Deer Country Phase II being an unrecorded subdivision out of the Charles Leissring Survey No. 347, Abstract N. 481 and out of the J. P. Hewett Survey No. 14, Abstract No. 1154 in Llano County, Texas along with all pertinent easements, rights and liabilities of said water system and THREE THOUSAND AND NO/100 DOLLARS (\$3,000.00).

The total sales price is TEN DOLLARS (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which shall be acknowledged at closing.

Seller is to furnish Buyer a Special Warranty Deed to be recorded at Buyer's expense, conveying good and indefeasible title subject only to any liens to be created or assumed hereunder and the following:

1. Present restrictions, if any, existing against said property;
2. Existing Building and Zoning Ordinances, if any; and
3. Rights of parties in possession.

The same is to be delivered as and when the sale is closed or as soon thereafter as is reasonably possible, which closing shall be on or before thirty (30) days after approval of such conveyance by the Public Utilities Commission of Texas.

The Special Warranty Deed shall contain the following paragraph and all property shall be subject to the following:

Z:\1030\1030.16\Deer Country\Agreement to Sale.doc

BW MC

As a material part of the Consideration for this Conveyance and Agreement, Seller and Buyer agree that Buyer is taking the Property "AS IS" with any and all latent and patent defects and that there is no warranty by Seller that the Property has a particular financial value or is fit for a particular purpose. Buyer acknowledges and stipulates that Buyer is not relying on any representation, statement, or other assertion with respect to the Property condition but is relying on Buyer's examination of the Property. Buyer takes the Property with the express understanding and stipulation that there are no express or implied warranties.

Time is of the essence of this agreement.

In accordance with the terms of the Real Estate License Act of Texas, you, as Buyer, are advised by Seller that you should have the abstract covering the herein described real estate examined by an attorney of your selection, or be furnished with or obtain a policy of title insurance.

If this sale or Buyer's use of the property after closing results in the assessment of additional taxes for periods prior to closing, the additional taxes shall be the obligation of Buyer. If Seller's change in use of the property prior to closing or denial of a special use valuation on the property claimed by Seller results in the assessment of additional taxes for periods prior to closing, the additional taxes shall be the obligation of Seller. Obligations imposed by this paragraph shall survive closing.

EXECUTED in multiple copies this 7 day of January, 2017.

SELLER:

Billy Jay Wootan Co-Ind Executor  
BILLY JAY WOOTAN, Co-Independent Executor  
of The Estate of M. J. WOOTAN

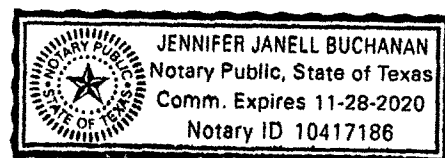
BUYER:

DEER COUNTRY WATER SUPPLY CORPORATION,  
a Texas corporation

By: Merle D. Carlson PRES  
MERLE D. CARLSON, its President

OATH  
Before me, Jennifer Buchanan, a Notary Public  
in and for Llano County,  
State of Texas, personally appeared  
Billy Jay Wootan, Merle D. Carlson and he/she being first duly  
sworn (or affirmed) by me upon his/her oath,  
says that the facts alleged in the  
foregoing instrument are true.

(SEAL) Jennifer Buchanan  
Signature of Notary Public



Bryan W. Shaw, Ph.D., *Chairman*  
Buddy Garcia, *Commissioner*  
Carlos Rubinslein, *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

October 14, 2011

Ms. Addie Wootan, Owner/Operator  
Deer Country Water System  
PO Box 927 (1010 E Sandstone St)  
Llano, Texas 78643

Re: Water Rate Change Application of M.J. Wootan dba Deer Country Water System, Certificate of Convenience and Necessity No. 12465 in Llano County; Application No. 37102-R

CN: 603624818; RN: 101278851

Dear Ms. Wootan:

Thank you for your response received on September 15, 2011, regarding the above referenced application. Your application has been accepted for filing and assigned Application No. 37102-R. Please refer to this number in future correspondence.

**Your new rates may go into effect on November 15, 2011.** Your new effective date must be at least 60 days following the date your completed application was mailed to us and correct notice is mailed or delivered to the customers. The effective date of the new rates must be the first day of the billing period, and the new rates may not apply to service provided before the effective date of the new rates.

The application will be scheduled for a hearing if:

- the Texas Commission on Environmental Quality (TCEQ) receives complaints from at least 10% of the ratepayers within 90 days of the effective date of the rate increase; or
- TCEQ staff protests the actual service rates.

You will be notified if a hearing is scheduled. If, during the course of a hearing, rates are set which are different from the rates charged by M.J. Wootan dba Deer Country Water System, you may be required to refund or credit future bills. The refund or credit will include all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered, plus interest, as determined by the TCEQ.

Ms. Addie Wootan, Owner/Operator

Page 2

October 14, 2011

If TCEQ does not receive the required number of complaints within 90 days of the effective date, and the staff does not require a hearing, you will receive another letter or notification from TCEQ so informing you, along with your approved tariff.

Please contact the staff listed below if you have any questions. Include MC-153 in the address if you contact TCEQ by correspondence.

Ms. Sheresia Perryman at (512)239-3654 or by email at [Sheresia.Perryman@tceq.texas.gov](mailto:Sheresia.Perryman@tceq.texas.gov).

Mr. John Lock at (512)239-4710 or by email at [John.Lock@tceq.texas.gov](mailto:John.Lock@tceq.texas.gov).

Sincerely,

Tammy Benter, Manager  
Utilities and Districts Section  
Water Supply Division  
Texas Commission on Environmental Quality

TB/LG/mmg

## WATER UTILITY TARIFF FOR

M.J. Wootan dba Deer Country Water System  
(Utility Name)

P.O. Box 927  
(Business Address)

Llano, TX 78643  
(City, State, Zip Code)

(325) 248-2254  
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

12465

This tariff is effective in the following county (ies):

Llano

This tariff is effective in the following cities or unincorporated towns (if any):

None

This tariff is effective in the following subdivision or systems:

Deer Country Subdivision

This tariff is effective for the following public water system numbers(s):

PWS ID No. 1500121

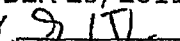
The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

### TABLE OF CONTENTS

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APPENDIX A - SAMPLE SERVICE AGREEMENT

APPENDIX B - APPLICATION FOR SERVICE

TEXAS COMM. ON ENVIRONMENTAL QUALITY  
37102-R, CCN 12465, NOVEMBER 25, 2011  
APPROVED TARIFF BY 



## SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

| <u>Meter Size</u> | <u>Monthly Minimum Charge</u><br>(Includes 3,000 gallons) | <u>Gallonge Charge</u>                                                                                                                                                             |
|-------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5/8" or 3/4"      | \$ <u>42.32</u>                                           | <u>\$3.50</u> per 1000 gallons from 3,001 to 10,000 gallons<br><u>\$4.50</u> per 1000 gallons from 10,001 to 20,000 gallons<br><u>\$5.50</u> per 1000 gallons above 20,001 gallons |

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X, Check X, Money Order X, Credit Card \_\_\_\_\_, Other (specify) \_\_\_\_\_

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

REGULATORY ASSESSMENT ..... 1.0%  
TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE ..... \$750.00  
TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs) ..... Actual Cost  
FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

TAP FEE (Large meter) ..... Actual Cost  
TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE ..... Actual Relocation Cost, Not to Exceed Tap Fee  
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

RATES LISTED ARE EFFECTIVE ONLY  
IF THIS PAGE HAS TCEQ APPROVAL STAMP

SECTION 1.0 - RATE SCHEDULE (Continued)

METER TEST FEE..... \$25.00

THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00) ..... \$25.00
- b) Customer's request that service be disconnected ..... \$50.00

TRANSFER FEE ..... \$50.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL)..... \$5.00

TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE..... \$25.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)..... \$0.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT ..... 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21(K)(2)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

RATES LISTED ARE EFFECTIVE ONLY  
IF THIS PAGE HAS TCEQ APPROVAL STAMP

Bryan W. Shaw, Ph.D., P.E., *Chairman*  
Toby Baker, *Commissioner*  
Jon Niermann, *Commissioner*  
Richard A. Hyde, P.E., *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

December 14, 2016

Mr. Bill Wootan, Manager  
Deer Country Water System  
P.O. Box 927  
Llano, TX 78643-0927

Re: Comprehensive Compliance Investigation at:  
Deer Country Water System, Wootan Lane, Llano (Llano County), Texas  
TCEQ PWS ID No.1500121, RN 102670775

Dear Mr. Wootan:

On November 17, 2016, Claudia A. Chaffin of the Texas Commission on Environmental Quality (TCEQ) Austin Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply. No violations are being alleged as a result of the investigation, however, please see the enclosed Additional Issues.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Claudia A. Chaffin in the Austin Region Office at (512)339-2929.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Stewart".

Shawn Stewart  
Water Program Work Leader  
Austin Region Office

SS/cac

## Summary of Investigation Findings

DEER COUNTRY WATER SYSTEM

Investigation #

1371129

Investigation Date: 11/17/2016

, LLANO COUNTY,

Additional ID(s): 1500121

No Violations Associated to this Investigation

## ADDITIONAL ISSUES

### Description

### Additional Comments

Item 1

The concrete ground storage tank has some minor leaks at seam that needs sealing.

Item 2

The glass site gauge that is broken on the pressure tank needs to be replaced.

Item 3

The chlorine storage tank needed to be replaced with a tank that has no gaps or holes where where contaminants can enter. A photo of the new tank with no holes or gaps was submitted on December 8, 2016.

**ARTICLES OF INCORPORATION**

**OF**

DEER COUNTRY **WATER SUPPLY CORPORATION**

**THE STATE OF TEXAS**

**COUNTY OF** LLANO

**KNOW ALL MEN BY THESE PRESENTS:**

WE, the undersigned natural persons of the age of eighteen (18) years or more, at least three of whom are citizens of the state of Texas, acting as incorporators of a corporation, do hereby adopt the following Articles of Incorporation for such Corporation:

**ARTICLE I**

The name of the Corporation is DEER COUNTRY Water Supply Corporation.

**ARTICLE II**

The Corporation is a non-profit corporation organized under Texas Water Code Chapter 67, as amended, and as supplemented by the Texas Business Organizations Code, as amended, and is authorized to exercise all powers and rights incidental in carrying out the purposes for which the Corporation is formed, except such as are inconsistent with the express provisions of these Acts.

**ARTICLE III**

The period of its duration is perpetual.

#### ARTICLE IV

The Corporation is formed for the purpose of furnishing a water supply, sewer service, or both, for a municipality, a private corporation, or individual residing in the rural community of LLANO, Texas, and the surrounding rural areas. The places where the business of the Corporation is to be transacted shall be the DEER COUNTRY SUBDIVISION community in LLANO County, Texas, and the surrounding rural areas.

#### ARTICLE V

The street address of the initial registered office of the Corporation is 215 WOOTAN Lane LLANO. TX 78643, and the name of its initial registered agent at such address is MERLE D. CARLSON.

#### ARTICLE VI

The number of directors constituting the initial Board of Directors of the corporation is Five (5), and the name and address of the persons who are to serve as the initial directors are:

| NAME                    | ADDRESS                          | CITY         |
|-------------------------|----------------------------------|--------------|
| <u>MERLE D. CARLSON</u> | <u>215 WOOTAN Lane</u>           | <u>LLANO</u> |
| <u>MELODY TRIP</u>      | <u>113 PEGGY Sue</u>             | <u>LLANO</u> |
| <u>KURT DAWSON</u>      | <u>326 WOOTAN LANE (POB 565)</u> | <u>LLANO</u> |
| <u>SHERRY CLOPTON</u>   | <u>293 WOOTAN Lane</u>           | <u>LLANO</u> |
| <u>DARLENE CARLSON</u>  | <u>215 WOOTAN Lane</u>           | <u>LLANO</u> |
|                         |                                  |              |
|                         |                                  |              |

#### ARTICLE VII

No director shall be liable to the Corporation or to the Corporation's membership for monetary damages for any act or omission in the director's capacity as a director of the Corporation, except and unless the director shall be found liable for a breach of the director's duty of loyalty to the Corporation or the Corporation's membership; an act or omission not in good faith that constitutes a breach of the director's duty to the Corporation or an act or omission that involves intentional misconduct or a knowing violation of the law on the part of the director; a transaction from which the director receives an improper benefit, whether or not the benefit results from an action taken within the scope of the director's office; or an act or omission for which the liability of the director is expressly provided by Texas law.

#### ARTICLE VIII

The name and street address of each incorporator is:

| NAME            | ADDRESS                  | CITY  |
|-----------------|--------------------------|-------|
| MERLE D CARLSON | 215 Wootan Lane          | CLAND |
| MELODY TRIP     | 113 Peggy Sue            | CLAND |
| KURT DAWSON     | 326 Wootan Lane (POB565) | CLAND |
| SHELLY CLOFTON  | 293 Wootan Lane          | CLAND |
| DARLENE CARLSON | 215 Wootan Lane          | CLAND |
|                 |                          |       |
|                 |                          |       |

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 IX

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 Bylaws may prescribe.

IN WITNESS WHEREOF, we have hereunto set our hands, this the 14th day of November, 2014.

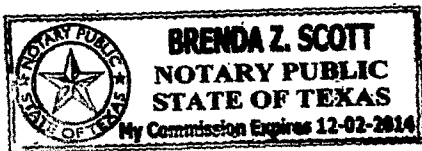
M. L. J. E. E.

Larry Davis

Darlene Carls

Melba Clark

Melba Clark





**BYLAWS**  
**of**  
**Deer Country WATER SUPPLY CORPORATION**

Bylaws of **Deer Country** 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. A person must be a member of the Corporation and at least 18 years old in order to serve as a Director. A person is not qualified to serve as a director if the person has been determined by a final judgment of a court exercising probate jurisdiction to be totally mentally incapacitated; or partially mentally incapacitated without the right to vote; or has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.

Section 2. The Board of Directors shall consist of 5 Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on 4th Thursday in January<sup>1</sup>, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer from among the Directors. 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

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<sup>1</sup> This election shall be held between January 1 and May 1, but after the Members' annual meeting. Insert day of week, week of month, and month of year (i.e., second Tuesday of April).

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.

Not later than the 60<sup>th</sup> day after a Director dies, resigns or is determined by the Board to not meet one of the qualifications set forth in Section 1, a successor who meets those qualifications shall be appointed by a majority of the remaining 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 3. Directors may be removed from office in the following manner, except as otherwise provided in Article V. Any Member or Director may present charges against a Director by filing such charges in writing with the Secretary-Treasurer of the Corporation. 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) 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 4. The President of the Board, or Vice-President, shall preside at any meeting of the Members convened to consider removal of a 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 the other Directors to preside over the meeting. Any meeting convened to consider the removal of a Director shall be conducted in accordance with the procedures prescribed by the Board. The fact that the President, Vice-President, or other Officer or Director has been made the subject of charges does not prevent such individual from continuing to act as Officer and/or Director. 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 5. 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 Business Organizations Code 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 at the previous meeting, 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, on 4th Thursday in January,<sup>2</sup> to transact all business that may be properly brought before it.

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 notification to the Membership of the proposed agenda, location, and date of the meeting; election procedures; approval of the ballot form to be used; and validation of eligible voters, ballots, and election results. At least thirty (30) days before the date of a Membership meeting that includes an election, the Corporation shall mail to each member of record at the address last known to the Corporation written notice of such meeting indicating the time, place, and purpose of such meeting; the election ballot; and for director elections, a statement of each candidate's qualifications, including biographical information as provided in each candidate's application. The election ballot for director elections must include the number of directors to be elected and the names of the candidates.

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.

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<sup>2</sup> This meeting shall be held between January 1 and May 1. Insert the day of the week, week of month and month of year.

Section 3. The Board shall select an independent election auditor not later than thirty (30) days before the scheduled date of a Membership meeting where an election will be held. The independent election auditor is not required to be an experienced election judge or auditor and may serve as an unpaid volunteer. At the time of selection and while serving in the capacity of an independent election auditor, the independent election auditor may not be associated with the Corporation as an employee; a director or candidate for director; or an independent contractor engaged by the Corporation as part of the Corporation's regular course of business. The independent election auditor shall receive and count the ballots before the meeting is adjourned. The independent election auditor shall provide the board with a written report of the election results.

Section 4. For any election, a member may vote in person at the Membership meeting; by mailing a completed ballot to the office of the independent election auditor or to the Corporation's main office which must be received by noon on the business day before the date of the meeting; or by delivering a completed ballot to the office of the independent election auditor or to the Corporation's main office by noon on the business day before the date of the meeting.

A quorum for the transaction of business at a meeting of the Membership is a majority of the members present. In determining whether a quorum is present, all members who mailed or delivered ballots to the independent election auditor or the Corporation on a matter submitted to a vote at the meeting are counted as present.

Section 5. 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 recommend for Board approval the election procedures and all related forms and notices, recommend for Board approval a person to fill the role of independent election auditor, ensure that the election procedures are implemented, and serve other functions designated in the Corporation's election procedures. Should the individual holding the office of Secretary-

Treasurer be running for re-election, the Board shall appoint an officer not currently running for re-election to serve as chairperson of this committee.

Section 6. 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 Texas Business Organizations Code Section 22.156, 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 not required to hold a Membership as a condition to receive service on a limited basis. 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 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, 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 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 and/or sewer 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 and/or sewer 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 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 and/or sewer service unless each condition for water and/or sewer service is met as provided in the Corporation's published rates, charges, and conditions of service. Water and/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 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 and/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 and/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 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 and/or sewer service is requested, subject to compliance with the conditions for water and/or sewer 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 and/or sewer service shall be discontinued and the obligation to pay for water and/or sewer service shall terminate except as for the minimum charge for the current month and the charge for water and/or sewer 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 and/or sewer 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 wastewater service, or both, that is exempt from ad valorem taxation. By application for and acceptance of membership in the Corporation, each Member grants the Corporation's Board of Directors that Member's permission to execute all instruments and documents necessary to effectuate such transfers in order to preserve the Corporation's statutory rights to exemption from income and ad valorem taxation.

#### ARTICLE XVI

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

#### 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 and/or sewer 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/or sewer 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 Open Record 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 voting 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 purposes 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  
“Deer Country 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**

**If newly formed Corporation:**

The above Bylaws were adopted by a majority vote of the initial Board of Directors of the  
Deer Country Water Supply Corporation, at a meeting held on the 2 day of  
March, 2015.

**If an existing Corporation:**

The above Bylaws were adopted as amended by the Members of the  
\_\_\_\_\_ Water Supply Corporation, at a meeting held on the \_\_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_.

M. L. Carlson  
President

Attest:

Darlene Carlson  
Secretary-Treasurer