

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Utilities Service
RIGHT OF WAY EASEMENT
(General Type Easement)

KNOW ALL MEN BY THESE PRESENTS, that _____,
(hereinafter called "Grantors"), in consideration of one dollar (\$1.00) and other good and valuable consideration paid by _____, (hereinafter called "Grantee"), the receipt and sufficiency of which is hereby acknowledged, does hereby grant, bargain, sell, transfer, and convey to said Grantee, its successors, and assigns, a perpetual easement with the right to erect, construct, install, and lay and thereafter access and use, operate, inspect, repair, maintain, replace, upgrade, parallel and remove water distribution lines and appurtenances and any other facilities necessary to serve Grantors' property as well as the Grantee's current and future system-wide customers, under, over and across _____ acres of land, more particularly described in instrument recorded in Vol. _____, Page _____, Deed Records, _____ County, Texas, together with the right of ingress and egress over Grantor's adjacent lands for the purpose for which the above mentioned rights are granted. The easement hereby granted shall not exceed 15' in width, and Grantee is hereby authorized to designate the course of the easement herein conveyed except that when the pipeline(s) is installed, the easement herein granted shall be limited to a strip of land 15' in width the center line thereof being the pipeline as installed.

Grantee shall have such other rights and benefits necessary and/or convenient for the full enjoyment and use of the rights herein granted, including without limitation, (1) the reasonable right of ingress and egress over and across lands owned by Grantor which are contiguous to the easement; (2) the reasonable right from time to time to remove any and all paving, undergrowth and other obstructions that may injure Grantee's facilities and appurtenances or interfere with the construction, maintenance, inspection, operation, protection, repair, alteration, testing, replacement, upgrading, paralleling, relocation (as above limited), substitution or removal thereof; and (3) the right to abandon-in-place any and all water supply lines, service lines and associated appurtenances, such that Grantee shall have no obligation or liability to Grantor or their successors or assigns to move or remove any such abandoned lines or appurtenances.

In the event the easement hereby granted abuts on a public road and the county or state hereafter widens or relocates the public road so as to require the relocation of this water line as installed, Grantor further grants to Grantee an additional easement over and across the land described above for the purpose of laterally relocating said water line as may be necessary to clear the road improvements, which easement hereby granted shall be limited to a strip of land 15' in width the center line thereof being the pipeline as relocated

The consideration recited herein shall constitute payment in full for all damages sustained by Grantors by reason of the installation of the structures referred to herein and the Grantee will maintain such easement in a state of good repair and efficiency so that no unreasonable damages will result from its use to Grantors' premises. This agreement together with other provisions of this grant shall constitute a covenant running with the land for the benefit of the Grantee, its successors, and assigns. The Grantors covenant that they are the owners of the above described land and that said lands are free and clear of all encumbrances and liens except the following:

Grantor does hereby bind itself, its successors and assigns, to WARRANT AND FOREVER DEFEND, all and singular, the easement herein granted to Grantee, or Grantee's successors and assigns, against every person whomsoever claiming, or to claim, the same or any part thereof.

The easement conveyed herein was obtained or improved through Federal financial assistance. This easement is subject to the provisions of the Title VI of the Civil Rights Act of 1964 and the regulations issued pursuant thereto for so long as the easement continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the Grantee owns it, whichever is longer.

IN WITNESS WHEREOF the said Grantors have executed this instrument this _____ day of _____, 20____.

ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF _____.

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____ known to me to be the person(s) whose name(s) is(are) subscribed to the foregoing instrument, and acknowledged to me that he (she) (they) executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS THE _____ day of _____, 20_____.

(Seal)

(Notary Public in and for) _____ County, Texas.

North Cherokee Water Corporation



Mt. Selman
(903) 894-3385
(903) 894-5655 Fax

P. O. Box 1021
Jacksonville, Texas 75766

December 20, 2007

TCEQ
P.O. Box 13087
Austin, Texas 78711-3087

Attn: Rates and Compliance Dept

Re: Rate increase

To Whom It May Concern:

North Cherokee Water Supply Corporation is a purchase water system. Our water is purchased from the City of Jacksonville, we do not produce our own water.

North Cherokee Water Supply Corporation received notification there would be an increase in cost of water (see exhibit A) from the City of Jacksonville. This was given at very short notice.

It has become necessary to pass this cost onto the Membership. To calculate the increase (see exhibit B) the table was used to determine the average cost per thousand.

By this action of the Board of Directors, a letter of explanation was drafted and sent to each Member on December 18, 2007 (see exhibit C).

This information is being furnished to TCEQ to enable you to answer any questions that may be filed with your department.

Please call if you have any questions. Our phone number is: 903-894-3385. Office hours are 9:00 AM to 3:00 PM Monday thru Friday.

Sincerely,

Oscar J. McAnally
President-General Manager
North Cherokee Water Supply Corporation

CCN# 10771
CN# 600650220
RN# 101206266

RECEIVED
TCEQ
WATER SUPPLY DIV.
2007 DEC 27 PM 12 09



The Star
In East Texas

THE CITY OF JACKSONVILLE

December 4, 2007

Mr. Scott Alexander
North Cherokee Water Supply
P.O. Box 1021
Jacksonville, Texas 75766

Dear Mr. Alexander,

On Tuesday, November 13, 2007, the Jacksonville City Council met and passed rate changes involving rural water supply corporations. The new rate is \$0.235 per 100 gallons with no minimum bill. The effective date for the new rate will be January 1, 2008. A copy of the amended ordinance that was adopted has been provided.

If you have any questions, please contact me at 903-589-3510.

Sincerely,

David Brock

David Brock
Utilities Director

Xc: Mo Raissi, City Manager
Will Cole, Public Works Director

RECEIVED
TCEQ
WATER SUPPLY DIV.
2007 DEC 27 PM 12 10

ORDINANCE NO. 1313

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF JACKSONVILLE, TEXAS, CONFIRMING AND ADOPTING AMENDMENTS TO SECTION 21-1 OF THE CODE OF ORDINANCES PRESCRIBING THE CURRENT RATES AND CHARGES FOR WATER AND WASTEWATER SERVICE FURNISHED BY THE CITY OF JACKSONVILLE, TEXAS, FOR ALL CLASSES OF RESIDENTIAL CUSTOMERS AND FOR COMMERCIAL AND INDUSTRIAL CUSTOMERS, BOTH INSIDE AND OUTSIDE OF THE CORPORATE LIMITS OF THE CITY OF JACKSONVILLE, TEXAS AND FOR RURAL WATER SUPPLY CORPORATIONS.

WHEREAS, Section 21-1 of Article I of the Code of Ordinances of the City of Jacksonville, Texas, sets forth water and wastewater service rates; and

WHEREAS, there is a need to update the various existing ordinances concerning water and waste water service rates;

NOW THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF JACKSONVILLE, TEXAS:

Section 1: That Section 21-1 of Article I of Chapter 21, Water and Wastewater, of the Code of Ordinances of the City of Jacksonville, Texas, be and is hereby amended to read as follows:

Section 21-1 Water and Wastewater Rates

A. Effective January 1, 2008, the following rates shall apply for billing for water services:

1. ~~WATER rates for RESIDENTIAL customers within the corporate limits of the City of Jacksonville, Texas without any free service and without any discounts:~~
 - a. The minimum for administration, billing, collecting and delivery of 3,000 gallons per month minimum \$13.76
 - b. For water used (after first 3,000 gallons):
 - The next 65,000 gallons \$0.235 per 100 gallons
 - All over 68,000 gallons \$0.190 per 100 gallons
2. WATER rates for COMMERCIAL or INDUSTRIAL customers within the

corporate limits if the City of Jacksonville, Texas without any free service and without any discounts:

- a. The minimum for administration, collecting and delivery of 3,000 gallons per month minimum \$18.39
- b. For all water used over 3,000 gallons/per month . . . \$0.235 per 100 gallons
- 3. Water customers located OUTSIDE the corporate limits, excluding Rural Water Supply Corporation, will be billed at 150% of the rates above described per month.
- 4. RURAL WATER SUPPLY CORPORATIONS:
For all water used \$0.235 per 100 gallons
(Usage through more than one water meter to be combined for billing purposes at customer's request)

B. Effective with the January 1, 2008, billings, the following WASTE WATER rates for monthly usage, based on water consumption, shall apply within the corporate limits of the City of Jacksonville, Texas:

- 1. RESIDENTIAL RATES:
A minimum of \$14.06 for the first 3,000 gallons of water supplied each month, plus 65% of the dollar amount of the water billed in excess of 3,000 gallons for the month, with the total bill for sewer service not to exceed \$24.86.

(ALL MULTIPLE FAMILY residences or apartments having four (4) or LESS units, which are served by one water meter, will be billed at \$14.06 minimum per month for each family unit plus 65% of the dollar amount of the water billed in excess of 3,000 gallons for the month, not to exceed \$24.86 per family unit times the number of family units.)

- 2. COMMERCIAL or INDUSTRIAL sewer customers and/or MULTIPLE FAMILY residences or apartments having MORE than four (4) units which are served by one water meter, located within the corporate limits of the City of Jacksonville, Texas:
 - a. For each commercial/industrial customer and/or multiple family residence ~~or apartment having more than four (4) units using less than 125,000~~ gallons per month a minimum of \$15.50 per month plus 65% of the dollar amount of the water billed each month over billing minimum, with the total bill for sewer service not to exceed \$132.08.
 - b. For each commercial/industrial customer and/or multiple family residence or apartment having more than four (4) units using 125,000 gallons of water per month or more, a minimum of \$132.08, plus \$0.152 per hundred gallons of water in excess of 125,000 gallons of water per month, with no maximum prescribed.

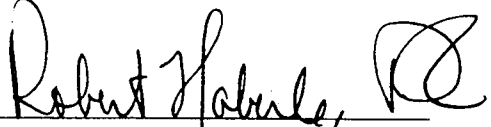
3. Wastewater service OUTSIDE the corporate limits shall be provided at 150% of the rates for Wastewater service within the corporate limits of the City of Jacksonville, Texas.

Section 2. Severability. It is the intention of the City Council of the City of Jacksonville that if any phrase, sentence, section or paragraph of this ordinance be declared unconstitutional or otherwise invalid by final judgement by a court of competent jurisdiction such unconstitutionality or invalidity shall not effect any of the remainder of this ordinance since the same would have enacted by the City Council without the incorporation of the unconstitutional or invalid phrase, sentence, section or paragraph.


Section 3. Compliance. A notice was posted and this ordinance was passed in accordance with the Texas Opened Meeting Act.

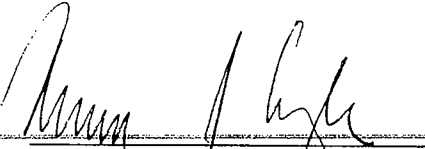
Section 4. Effectiveness. The City Council by the City of Jacksonville, Texas declares that this ordinance shall go into effect after its passage, approval and publication according to law.

PASSED AND ADOPTED this the 13th day of November, 2007.


Robert N. Haberle, Mayor

ATTEST:


Betty Thompson, City Secretary


Marvin J. Angle, City Attorney

North Cherokee Water Corporation



Mt. Selman
 (903) 894-3385
 (903) 894-5655 Fax

P. O. Box 1021
 Jacksonville, Texas 75766

RATE INCREASE CITY OF JACKSONVILLE

<u>CURRENT BILL</u>	<u>PROJECTED RATE</u>	<u>INCREASE</u>
\$1.81 PER 1,000	\$2.35	\$540 PER MILLION 1ST
\$1.66 PER 1,000	\$2.35	\$690 PER MILLION 2-3
\$1.53 PER 1,000	\$2.35	\$820 PER MILLION 3+

\$1.56 AVERAGE FOR 16,000,000 GALLONS

THIS MONTHS BILL AT CURRENT RATE	\$25,522.76	= 16,328,600 GALLONS
PROPOSED RATE	\$38,370.80	= 16,328,600 GALLONS
DIFFERENCE OF	\$12,848.04	
INCREASE OF \$.75 PER 1,000	\$12,000.00	BASED ON 16 MILLION SOLD
COST TO NORTH CHEROKEE WSC	\$ 848.04	

<u>USAGE</u>	<u>CURRENT BILL</u>	<u>WITH \$.75 INCREASE</u>	<u>INCREASE OF</u>
2,000	\$21.11	\$22.61	\$1.50
8,000	\$42.21	\$48.21	\$6.00
14,000	\$63.32	\$73.82	\$10.50
30,000	\$119.59	\$142.09	\$22.50

Dear Member:

The City of Jacksonville has increased the price of water by \$ 0.77 per thousand gallons. With this increase the Board has elected to increase rates by \$ 0.75 per thousand gallons beginning January 01, 2008.

North Cherokee Water Supply is in the process of seeking alternate water sources. We are exploring the possibility of drilling water wells on our system. This will enable us to have a secondary water source and not rely solely on the City of Jacksonville for our water needs.

The chart below will give you examples how rate increase will affect your bill.

<u>USAGE</u>	<u>CURRENT BILL</u>	<u>WITH \$ 0.75 INCREASE</u>	<u>INCREASE OF</u>
2,000	\$ 21.11	\$ 22.61	\$ 1.50
8,000	\$ 42.21	\$ 48.21	\$ 6.00
14,000	\$ 63.32	\$ 73.82	\$10.50
30,000	\$119.59	\$142.09	\$22.50

North Cherokee always encourages our Members to report any possible leaks on main lines and to repair any leaks that Members may have.

Please call if you have any questions. Our phone number is 903-894-3385. Office hours are 9:00 AM to 3:00 PM Monday thru Friday.

Thank you,


President - General Manager
North Cherokee Water Supply Corporation

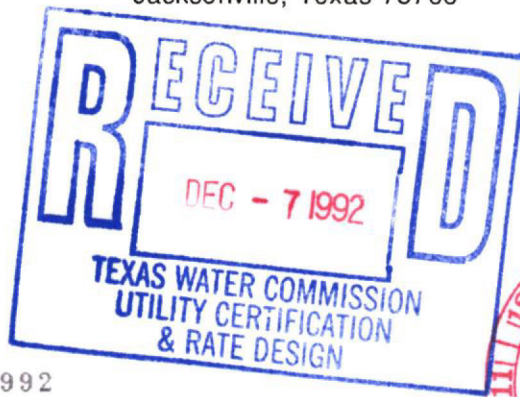
North Cherokee Water Supply Corporation

P. O. Box 1021
Jacksonville, Texas 75766

AH

Billing
(903) 586-4366

Maintenance
(903) 842-4959



December 1, 1992

Texas Water Commission
P O Box 13087
Austin, Texas 78711-3087

Dear Sirs:

It has come to our attention that we did not furnish a new set of By-Laws which were adopted by our membership on April 30, 1992.

Enclosed, please find the copy which you need for your file.

We understand that you do have our current Tariff, but if this does not bring the file up-to-date, would you please advise us?

Thank you.

A handwritten signature in blue ink that reads "Elva L. Gilmer".

Elva L. Gilmer,
Secretary

TO	FARMERS HOME ADMINISTRATION	ISSUE NO.	Special
		DATE	12/6/91
		DISTRIBUTION CODE	
		"S" STATE OFFICE	
		"D" DISTRICT OFFICE	
	Temple, Texas	"C" COUNTY OFFICE	
	(City and State)		
	STATE PROCEDURE NOTICE		

FORMS

NEW

FmHA-TX 442-7
(S, D)

BYLAWS (Revision date 12/91)

This form was revised to make changes to Articles V, XII, XV and XIX due to changes in state law. To be eligible for exemption from property taxes, Corporations must comply with the Texas Open Meetings and Open Records Act. By adopting this revised bylaws, the Corporations will have approved language to assist them in meeting the requirements of state law.

ALL PREVIOUS SUPPLIES OF THE FORM FmHA-TX 442-7, BYLAWS, SHOULD BE DISPOSED OF UPON RECEIPT OF THE INITIAL SUPPLY OF THIS FORM. FIVE COPIES WILL BE FORWARDED TO BE RECEIVED BY YOU NO LATER THAN DECEMBER 16, 1991.

ADDITIONAL COPIES MAY BE ORDERED AS NEEDED.

oOo

READ PROCEDURE -- DISCUSS IN STAFF CONFERENCE -- KEEP PROCEDURE MANUAL UP TO DATE

BY-LAWS

North Cherokee WATER SUPPLY CORPORATION

Bylaws of North Cherokee Water Supply Corporation,
having been presented to the Board of Directors of said Corporation
and duly adopted as follows:

ARTICLE I

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

ARTICLE II

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

ARTICLE III

The Secretary-Treasurer shall have the custody of all the monies and securities of the Corporation. The Secretary-Treasurer shall keep regular books and shall keep minutes of all meetings of Members and Directors. All monies of the Corporation shall be deposited by the Secretary-Treasurer in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer and the President or Vice-President, in the absence of the President. The Secretary-Treasurer shall have custody of the seal of the Corporation

and affix it as directed hereby or by resolution passed by the Board of Directors or Members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties pertaining to the office of Secretary.

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

ARTICLE IV

Section 1. The Board of Directors shall consist of 7 Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter ~~on~~ meeting following annual (1) the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer. The Directors shall be elected by the Members at the Members' regular meeting provided for in Article XI of the By-Laws. The Directors shall be divided into three (3) classes, each class to be as near as equal in number as possible. The terms of the

1. This election shall be held prior to 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.

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

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1. This election shall be held prior to 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.

Directors of the first class shall expire at the first annual meeting of the shareholders after their election, the terms of the Directors of the second class shall expire at the second annual meeting after their election and terms of the Directors of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification, the number of Directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. The Directors shall serve without pay, but may be compensated for actual expenses by a majority vote of Directors.

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

Section 2. Officers and Directors may be removed from office in the following manner except as otherwise provided in Article V: Any Member, Officer, or Director may present charges against a Director or Officer by filing such charges in writing with the Secretary-Treasurer of the Corporation. If presented by a Member, the charges must be accompanied by a petition signed by at least ten (10) ⁷⁵ percent of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those

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

Section 3. The President of the Board or his designee shall preside at any meeting of the Members convened to consider removal of an Officer or Director as provided under Section 2, unless the President is the subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President are the subject of charges, those Directors who are not the subject of any charges shall appoint one of their number to preside over the meeting. Any meeting convened to consider the removal of an Officer or Director shall be conducted in accord with the procedures prescribed by the Credentials Committee established under the provisions of Article XI. The fact that President, Vice-President, or

any other Officer or Director has been made the subject of charges does not otherwise prevent such Officer from continuing to act in his capacity as an Officer or Director of the Corporation. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

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

ARTICLE V

Section 1. Regular meetings of the Board of Directors shall be held at such time and place as the Board may determine at the next previous regular meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act, Article 6252-17, Tex. Rev. Civ. Stat., by furnishing the notice to the _____

Cherokee County Courthouse

_____ (2)
and by posting such notice in a place readily convenient to the public in its administrative office at all times for at least seventy-two (72) hours preceding the scheduled time of the meeting. Such notice shall

2. For Water Supply Corporations serving in three or fewer counties, insert: County clerk or clerks of the county or counties in which the Corporation provides service. For Water Supply Corporations serving in four or more counties, insert: the Secretary of State and to the county clerk of the county in which the administrative office of the Corporation is located.

specify the date, hour, place and subject of each meeting held by the Board of Directors.

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

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

Section 4. The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Article 6252-17, Tex. Rev. Div. Stat., including any subsequent 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.

ARTICLE VI

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

ARTICLE VII

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

Withdrawals may be made from this fund only upon prior written approval from Farmers Home Administration. Approval shall be made

only for emergency repairs, obsolescence of equipment, improvements to facility, and for making up any deficiencies in revenue for loan payments.

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

ARTICLE VIII

Section 1. Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served or which may reasonably be 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, creed, citizenship, or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit.

Section 2. The Membership fee shall be \$100.00 . Payment of Membership fee or transfer of Membership shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of Membership to continue to qualify for service to an existing connection to the system by meeting the conditions for water and/or sewer as provided in the Corporation's published rates, charges, and conditions of service. A person may own more than one Membership but each Member shall be entitled to only one vote regardless of the number of Memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

Section 3. The Membership fee may be revised by the Board of Directors as the Board may determine to be appropriate. In determining the amount of the Membership fee, however, the Board shall ensure that the fee is sufficient to establish the potential Member as being legitimately interested in securing water service from the Corporation for such potential 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 Farmers Home Administration.

ARTICLE IX

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

ARTICLE X

Section 1. In order to insure 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, a Membership, or another right of participation under this section does not entitle the transferee to water or sewer service unless each condition for water or sewer service is met as provided in the Corporation's published rates, charges, and conditions of service. Water or sewer service provided by the Corporation as a result of stock, Membership, or other right of participation may be conditioned on ownership of the real estate designated to receive service and from which the Membership or other right of participation arose.

(d) The Corporation may cancel a person's or other entity's stock, Membership, or other right of participation if the person or other entity fails to meet the conditions for water or sewer service prescribed by the Corporation's published rates, charges, and conditions of service, or fails to comply with any other condition placed on the receipt of water or sewer service under the stock, Membership, or other right of participation authorized under

Subsection (c) of this section. The Corporation may, consistent with the limitations prescribed by Subsection (a) of this section and as provided in the Corporation's tariff, reassign canceled stock, or a canceled Membership, or other right of participation to any person or entity that has legal title to the real estate from which the canceled Membership or other right of participation arose and for which water or sewer service is requested, subject to compliance with the conditions for water or sewer service prescribed by the Corporation's published rates, charges, and conditions of service.

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

ARTICLE XI

Section 1. There shall be a regular meeting of the Members annually, on last Thursday in April (2) 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

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

known to the Corporation. Failure to hold or call an annual or special meeting in accordance with these By-Laws shall give each member rights to compel the Board of Directors to properly hold an annual or special meeting of the Membership. Voting by proxy shall be permitted. Members holding ten percent (10%) of the votes entitled to be cast, represented in person or by proxy, shall constitute a quorum for the transaction of business.

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

ARTICLE XII

Special meetings of the Directors may be held upon the posting of notice of such special meeting, in the manner provided under Article V of these Bylaws, at least two hours before the meeting is convened.

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

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members, and that such special meeting is otherwise noticed as provided under Article V of these 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.

ARTICLE XIII

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

ARTICLE XIV

Notwithstanding the ownership of a Membership certificate, all Members shall be billed, disconnected, or reconnected, and otherwise shall receive service in accordance with the written policies of the Corporation, including the tariff of the Corporation. In the event a

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Member should surrender his Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water service shall be discontinued and the obligation to pay for water service shall terminate except as for the minimum charge for the current month and the charge for water used during the current month, and except as for any prior unpaid amounts due the Corporation. 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 remaining after payment of the indebtedness of the Corporation shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with 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 or wastewater service, or both, that is exempt from 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 Farmers Home Administration, the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as is required by the State Director of the Farmers Home Administration for the State of Texas.

ARTICLE XVIII

Section 1. If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all 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 Farmers Home Administration, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all 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 Farmers Home Administration without a favorable vote of the majority of the Members. Any assessments levied to make up operational deficits in any year shall be levied against Members in proportion to their patronage with the Corporation.

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

ARTICLE XIX

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

Annually, the Board of Directors shall prepare or cause to be prepared a report of the financial activity of the Corporation for the preceding year including a statement of support, revenue, and expenses and changes in fund balances, a statement of functional expenses, and balance sheets for all funds or such financial reports as required by Farmers Home Administration. Such 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 Open Records Act, Article 6252-13a, Tex. Rev. Civ. Stat., 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 Records Act and the provisions of these Bylaws, the provisions of the Open Records Act shall prevail.

ARTICLE XX

These By-Laws may be altered, amended, or repealed by a vote of a majority of the Members present at any regular meeting of the Corporation, or at any special meeting of the Corporation called for that purpose, except that the Members shall not have the power to change the purpose of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provisions for the safety and security of 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 By-Laws as to effect a fundamental change in the policies of the Corporation. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted for a loan or loans made to it by the United States of

America through the Farmers Home Administration, these By-Laws shall not be altered, amended, or repealed without the prior written consent of the State Director of the Farmers Home Administration for the State of Texas.

ARTICLE XXI

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

ARTICLE XXII

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

ARTICLE XXIII

The above By-Laws and regulations were unanimously adopted by the Membership of the North Cherokee WATER SUPPLY CORPORATION, at a meeting in the Community Center on the 30, day of April, A.D. 1992.

William Smith
Secretary-Treasurer