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PETITION TO DETERMINE FAILURE	§	PUBLIC UTILITY COMMISSION
TO ACT IN ACCORDANCE WITH	§	
TEXAS WATER CODE §§ 67.007 AND	§	OF TEXAS
13.002(11) AND (24) BY WINDERMERE	§	
OAKS WATER SUPPLY	§	
CORPORATION	§	

**PETITION TO DETERMINE VIOLATION
AND ESTABLISH JURISDICTION UNDER TEXAS WATER CODE § 13.004**

I. INTRODUCTION

Water supply and sewer service corporations are non-profit entities which typically enjoy the freedom to operate in a manner that they determine to be in the best interests of their members, who are also their customers and owners. Because elected boards of directors that govern these corporations are bound by laws regulating the management and operation of non-profit entities¹ and have foundational documents approved by the members themselves, the Texas Water Code (TWC) releases them from the Commission's traditional water and sewer utility regulation. However, under certain, limited circumstances, the Commission can assert jurisdiction over these entities to protect the members from a renegade board. In this petition, the Division of Compliance and Enforcement (DICE) will demonstrate that the actions of Windermere Oaks Water Supply Corporation (Windermere) fulfill these circumstances and, as a result, requests the Commission issue an order asserting its full jurisdiction over Windermere.

The Commission has broad authority to regulate and supervise the business of each water and sewer utility in the state. Water supply and sewer service corporations (WSC), though, are not considered water or sewer utilities in the TWC² and, as such, they enjoy immense flexibility to operate outside the traditional regulatory framework. The TWC does, however, provide two threshold tests that a WSC must meet to continue to qualify for this regulatory freedom: it must conduct annual and special meetings in compliance with TWC § 67.007, and it must operate so as to be member-owned and member-controlled. Under TWC § 13.004, if the Commission finds that

¹ See generally Texas Nonprofit Corporation Law, Tex. Bus. Org. Code Chapters 20 and 22.

² TWC § 13.002(23).

a WSC fails either of these tests, the Commission has the same jurisdiction over the WSC that it has over a water or sewer utility.

As demonstrated below, the Commission has more than adequate grounds to make this finding and assert its jurisdiction over Windermere. First, Windermere regularly has failed to operate in a manner that demonstrates it is member-owned and member-controlled. Namely, its board of directors has altered the corporation's bylaws without input or approval of its members, the board of directors improperly ignored its fiduciary obligations to the corporation, and the board has not managed the corporation in a manner consistent with its bylaws. Second, Windermere's board failed to conduct recent annual meetings in accordance with the TWC by allowing non-members to stand for election, by allowing non-members to vote, and by disallowing votes cast by members during the annual meeting. With these actions considered collectively, the Commission can and should find that Windermere's board no longer serves the members' best interests and that the members need relief from a board that continues to make poor decisions and take ill-advised actions. Either of these findings constitutes failure of both the threshold tests at issue here.

This petition is organized in five sections. Section II outlines background information related to Windermere's procedural history before the Commission and provides relevant details that led to the present petition. Section III provides an overview of the applicable laws and standards that are relevant to this petition. Section IV shows how the corporation has not operated as a member-owned or member-controlled entity, and Section V details how Windermere failed to conduct its annual meetings in accordance with the TWC. This pleading clearly demonstrates that Windermere has failed both tests and determine the corporation should be subject to the same jurisdiction the Commission has over a water or sewer utility.

II. BACKGROUND

Windermere was founded in 1995 as a non-profit water supply and sewer service corporation to serve the Windermere Oaks community located outside Marble Falls, Texas in Burnet County. The Texas Natural Resource Conservation Commission granted Windermere certificate of convenience and necessity numbers 12011 (for the area served by Windermere's water utility) and 20662 (for the area served by its sewer utility). Currently, Windermere serves approximately 230 connections, providing water and sewer service to approximately 460 residents.

On July 8, 2022, Windermere member Jeff Walker filed a formal complaint against the corporation alleging that Windermere failed to conduct its 2022 annual meeting in compliance with the TWC, that it was operating in a manner inconsistent with its classification as a non-profit WSC as defined in the TWC, and that, due to Windermere's lack of insurance, discontinuation of service was imminent.³ Referenced in Mr. Walker's pleading was informal complaint number CP2022070458. The informal complaint was resolved on July 13, 2022, via an email from the Commission's Customer Protection Division.⁴

On August 12, 2022, Windermere responded to Mr. Walker's formal complaint and moved to dismiss the proceeding because it believed Mr. Walker did not have standing to raise the complaints and that there was no relief the Commission could provide in response to Mr. Walker's allegations. Then, on October 7, 2022, the administrative law judge filed Order No. 6, closing the docket on the grounds that Mr. Walker's filing was not in fact a complaint, but rather "purely informational."⁵ The administrative law judge also directed Commission Staff to forward copies of Mr. Walker's filings to the Commission's Division of Compliance and Enforcement (DICE) for further review.⁶ While Mr. Walker may not have standing to file this type of complaint against Windermere, DICE certainly has the authority to investigate violations of the TWC and the Commission's rules alleged by Mr. Walker and to prosecute those instances for which sufficient evidence exists that would support a Commission determination of a violation.⁷

Having conducted its own independent investigation, which included a review of the materials filed in Mr. Walker's informal complaint, the pleadings filed in Docket No. 53796,

³ *Complaint of Jeff Walker Against Windermere Oaks Water Supply Corporation*, Docket No. 53796 Complaint at 1, 3 (Jul. 8, 2022).

⁴ *Complaint No. CP2022070458*, Customer Protection Division Letter to Jeff Walker (Jul. 13, 2022).

⁵ *Complaint of Jeff Walker Against Windermere Oaks Water Supply Corporation*, Docket No. 53796, Order No. 6 at 1 (Oct. 7, 2022); *see* Order No. 4 (Sep. 13, 2022).

⁶ *Id.*

⁷ TWC § 13.041(c) ("[T]he utility commission may call and hold hearings . . . and make findings of fact and decisions with respect to administering this chapter"); *Complaint of Carol D. Gillespie Against Avalon Water Supply and Sewer Services Corporation*, SOAH PFD at 11 (Dec. 8, 2016) (quoting Commission Staff's Supplemental Recommendation: "If Commission Staff were convinced that a complainant had identified violations of [TWC] §§ 13.002(11) and (24) beyond a mere minor technical violation, then Commission Staff could file a petition [finding the WSC] out of compliance with [TWC] § 13.004.").

pleadings in Windermere's pending rate appeal,⁸ and public documents published by the corporation, DICE has concluded that Windermere failed to conduct its annual or special meetings in compliance with TWC Chapter 67 and that the corporation has violated its bylaws^{9,10} that purport to ensure the corporation is member-owned and member-controlled.¹¹ The analyses below provide ample grounds for the Commission to make a finding that Windermere is subject to the Commission's full authority under TWC §§ 13.004(a)(1) and (2).

III. APPLICABLE LAW

To make a finding that Windermere failed one or both of the threshold tests that allow the corporation to continue to operate free from traditional utility regulation requires an understanding of several provisions of the TWC as well as of a relevant, previous Commission proceeding.

A. PROVISIONS OF THE TEXAS WATER CODE

First, TWC § 13.002(11) provides a definition of the term "member" as it relates to the members of a water supply or sewer service corporation. A member is a person that both has a membership in the corporation and holds a fee simple title to property in the area served by the corporation. A member can also be a person that is granted membership and currently receives or will be eligible to receive service from the corporation. Importantly, this definition provides that, regardless of the number of memberships a person may have, a person may only cast one vote in an election held by the corporation.

Second, TWC § 13.002(24) defines a water supply or sewer service corporation as a non-profit entity operating under TWC Chapter 67 that provides potable water service or sewer service for compensation and that operates according to adopted bylaws or articles of incorporation which ensure that it is member-owned and member-controlled. By definition, a utility that provides retail water or sewer service to a person that is not a member is not a water supply or sewer service

⁸ *Ratepayers Appeal of the Decision by Windermere Oaks Water Supply Corporation to Change Water and Sewer Rates*, Docket No. 50788 (pending).

⁹ Exhibit A, Bylaws of Windermere Water Supply Corporation, adopted September 25, 2014.

¹⁰ Exhibit B, Bylaws of Windermere Water Supply Corporation, adopted November 18, 2021.

¹¹ Exhibit C, Articles of Incorporation of Windermere Oaks Water Supply Corporation, adopted November 9, 1995.

corporation, except under the limited circumstance in which the non-member is a property developer that intends to sell the property receiving the service.

To qualify as a water supply corporation, a utility may provide service only to: (1) its members; or (2) a developer who intends to sell the property. As stated in TWC § 13.002(24), the term “water supply corporation” “does not include a corporation that provides retail water or sewer service to a person who is not a member, except that the corporation may provide retail water or sewer service to a person who is not a member if the person only builds on or develops property to sell to another and the service is provided on an interim basis before the property is sold.” If an entity is not operating as a WSC as defined in TWC § 13.002(24), then the Commission has the same jurisdiction over that WSC as it would over any other utility. While Windermere is currently categorized as a WSC, it is not functioning as a WSC and should therefore be regulated as any other water and sewer utility.

Third, TWC § 67.007 details the procedures for the conduct of a water supply or sewer service corporation’s annual or special meeting and requires, in relevant part, that: (a) the annual meeting be held between January 1 and May 1 at a time specified by the bylaws or the board; (b) the board adopt written procedures for conducting an annual or special meeting; (c) the board adopt official ballots; and (d) the board select an independent election auditor.

Additionally, TWC § 67.007(b) references TWC §§ 67.0052, .0053, and .0054, which extensively detail the requirements for election of the board, including provisions related to candidate nomination, ballot preparation, and election procedures. DICE will discuss these sections in greater detail below in its analysis of how Windermere has failed to comply with TWC § 67.007.

Finally, to institute traditional utility jurisdiction over a water supply or sewer service corporation under TWC § 13.004(a), the Commission must find that the corporation:

- (1) is failing to conduct annual or special meetings in compliance with Section 67.007; or
- (2) is operating in a manner that does not comply with the requirements for classifications as a nonprofit water supply or sewer service corporation prescribed by Sections 13.002(11) and (24).

Thus, the first threshold test requires the Commission to (a) analyze the corporation’s written policies related to annual and special meetings to ensure they comply with TWC § 67.007 and then (b) compare those policies with how the meetings were actually conducted. The second

test requires the Commission to analyze whether the corporation is member-owned and member-controlled. Similarly, this second test is also a two-part analysis: first, to determine whether the corporation has adopted written policies or procedures that ensure it is member-owned and member-controlled, and second, to determine whether the corporation is operated in accordance with those policies or procedures. Sections IV and V below take up these threshold questions in reverse order to allow the analyses of membership control to inform the analysis of the corporation's elections conduct.

B. THE EXTENT OF THE COMMISSION'S INQUIRY: APPLYING *GILLESPIE*

DICE acknowledges that Commission precedent, as articulated in *Complaint of Carol D. Gillespie Against Avalon Water Supply and Sewer Services Corporation*, Docket No. 43146, limits the Commission's analysis of bylaws or other written procedures to those that ensure that the WSC is member-owned and member-controlled.¹² DICE's argument in this petition is not meant to contravene the idea that the Commission's jurisdiction over water supply and sewer service corporations is limited; it certainly is. However, *Gillespie* did not address the significance of actions taken by a board in contravention to its written policies and procedures. For if the statute limited the Commission to analyzing only whether written policies existed, then TWC § 13.004 would not have included the questions of whether the corporation was failing "to conduct" meetings in compliance with TWC § 67.007 or if the corporation was "operating" in a manner that subverts members' control or ownership of the WSC. If the Commission's scope is strictly limited to the question of whether written policies exist but not whether the corporation's actions complied with those policies, TWC § 13.004 is rendered meaningless. WSCs could simply adopt policies and then disregard them outright. DICE contends there is no other way to read the statutes together to make sense but to impose this two-part test laid out above.¹³

By way of example, Windermere's board of directors has been comprised, at least in part, of non-members in direct contravention with its bylaws and articles of incorporation. Certainly, this must demonstrate the need for the two-part test because, while on paper Windermere appears to be controlled by its members, in practice it is controlled by members and non-members alike.

¹² *Complaint of Carol D. Gillespie Against Avalon Water Supply and Sewer Services Corporation*, Docket No. 43146, Final Order at 5 (Mar. 9, 2017).

¹³ See *Helena Chem. Co. v. Wilkins*, 47 S.W.3d 486, 493 (Tex. 2001).

Moreover, when a board is not properly elected, then all actions taken by that board should be suspect. If non-members are elected, then those improperly elected board members exercise control over the WSC, and as a result, the corporation cannot be assumed to be member-controlled. The actions taken by Windermere's board, especially when those actions violate Windermere's bylaws, render Windermere non-compliant with TWC §§ 13.002(24) and (11). Those actions open the door for the Commission to examine the board's conduct, regardless of whether a given bylaw is titled to implicate explicitly the "member-owned, member-controlled" requirement. Indeed, a bylaw does not need be named "Bylaw Ensuring that the Corporation Is Member-Owned and Member-Controlled" to warrant the Commission's consideration. To argue otherwise, as Windermere did in its responses to Mr. Walker's complaint,¹⁴ ignores the purpose of defining "water supply or sewer service corporation" and deprives the Commission of its statutorily sanctioned authority.¹⁵

Yes, *Gillespie* acknowledges that the Commission's jurisdiction over WSCs is limited, and it establishes that the Commission should not delve into a fact-specific inquiry of a WSC's adherence to every single bylaw or article of incorporation or its routine, day-to-day activities associated with providing water or sewer service. That does not, however, mean that actions taken in violation of a statutorily-required written procedure must be waved off as out of bounds: the Commission cannot turn a blind eye to the many and varied violations by a board that is not even comprised of duly elected members.

IV. THRESHOLD TEST 1: OPERATING IN A MANNER TO ENSURE MEMBER-OWNED AND MEMBER-CONTROLLED

Key to determining whether a WSC is operating in accordance with the definitions of "water supply corporation" and "member" is an evaluation of whether a WSC "has adopted and is operating in accordance with bylaws or articles of incorporation which ensure that it is member-

¹⁴ Docket No. 53796, Windermere Oaks WSC's Response to Complaint of Jeff Walker and Motion to Dismiss at 19-26 (Aug. 12, 2022).

¹⁵ See House Research Organization bill analysis of SB 1 at 38 (May 21, 1997). (The analysis of SB 1, which last amended TWC §§ 13.002(24) and (11), states: "The changes made in CSSB 1 concerning utility providers would help to ensure high quality service in the small communities often serviced by these utility providers. Clarifying the definition of "member" and "water supply corporation" would ensure that water supply corporations, which are exempted from certain state regulations, are actually operated by and for the benefit of their customer members and are not shell organizations created by developers and others to escape state requirements.")

owned and member-controlled.”¹⁶ Bylaws and articles of incorporation exist, among other reasons, to ensure that the WSC’s governing body manages the utility according to the parameters and guidelines established by its members. Windermere has adopted bylaws, to be sure, but DICE’s investigation shows that Windermere’s adherence to those bylaws has been woefully inconsistent, which has resulted in inequitable treatment of the WSC’s member-customers. For example, there are issues with service: what qualifies as service, who receives service, and whether all who receive service are members. There are also issues with membership: who is allowed to be a member, who is actually a member, and how memberships transfer between persons. Likewise, there are issues with voting: who is allowed to vote, which votes are valid, and who receives and counts the votes.

In its response to Mr. Walker’s formal complaint, Windermere relied on the argument that the Commission does not have the jurisdiction to examine Windermere’s adherence to all of its bylaws. Yet, the statute requires the Commission to analyze whether the WSC has *operated* according to its policies that ensure it is member-controlled. DICE reiterates that its analysis is not limited to those that Windermere would narrowly construe: the Commission must take a holistic view of Windermere’s actions as they related to stifling membership control. DICE’s analysis of these issues, detailed below, shows that Windermere is not operated in a manner to ensure that it is member-controlled or for the benefit of all its members, and the Commission should not let the corporation continue to hide behind its classification as a WSC to escape scrutiny. Because Windermere has failed, in so many respects, to abide by TWC §§ 13.002(11) and (24), the Commission should assert its jurisdiction.

A. BYLAWS ARTICLE 4 - POWERS

Windermere’s Bylaws Article 4 states, “Except as otherwise provided in these bylaws, the Corporation’s articles of incorporation or the laws of this state, the Corporation shall have all powers invested in a water supply or sewer service corporation by 1434a [now TWC Chapter 67], the Texas Non-Profit Corporation Act, the Texas Water Code, and the administrative rules of the Texas Commission on Environmental Quality and its successor agency(ies), not inconsistent with Internal Revenue Code Section 501(c)(12)(A) and related federal regulations, rulings, and procedures.”

¹⁶ TWC §§ 13.002(11) and (24).

As with the Commission, Windermere has no power outside that which is granted by the law. For example, under TWC § 13.002(24), Windermere can only legally provide service to persons who are members and to those non-members who are developing a property for the purpose of sale. Under TWC § 13.002(11), a member is a person that holds a membership and is the record owner of fee simple title to property in the service area, or is a person granted membership who is receiving service. Yet, Windermere does exercise power beyond that which Bylaws Article 4 has granted to it because the corporation provides retail service to non-members, as explained below.

By providing service to non-members, Windermere uses its resources for the benefit of non-members – namely its water resources, staff resources, financial resources, and capital infrastructure. The statutory provision that restricts service to members is intended to ensure that the members – the persons that actually own the non-profit corporation – enjoy the benefit of their individual investments in the corporation. Those investments take the form of membership fees and equity buy-in fees, the total of which would cost a new member approximately \$5,000.¹⁷ In exchange, the facilities and resources purchased with those investments are intended to be dedicated to sole benefit of the members and allowing non-members to receive service suggests that Windermere permits *some* customers the benefit of the utility's resources without having to make the same investments as *other* customers.

Windermere currently provides service to non-members by providing water service to tenants of properties owned by Windermere members. Per its tariff, Windermere provides service to tenants through an Alternate Billing Agreement.¹⁸ Yet, Windermere's Articles of Incorporation Article 7 requires all customers to be members unless they are exempted by law, which tracks with TWC § 13.002(24). State law only exempts a customer from the membership requirement if that customer is a property developer and the service is provided on an interim basis before the property is sold. As such, tenants must be members if Windermere wants to retain its classification as a WSC, yet they are not eligible for membership under Windermere's existing tariff. DICE is not recommending that tenants should be barred from receiving service from a WSC; the point is that Windermere is not acting in accordance with TWC § 13.002(24). If tenants are to receive service,

¹⁷ Exhibit D, Windermere Oaks Water Supply Corporation Tariff, at 41-42.

¹⁸ *Id.* at 21.

then tenants must be members. If tenants are to be members, then Windermere must amend its tariff to allow for membership that is not premised on property ownership.

Windermere has extended its authority granted under the law and in violation of the corporation's bylaws. The laws regularly governing a WSC establish a paradigm of member-ownership and member-control. By providing service to non-members, the corporation unilaterally determined to use the assets and resources of the corporation, which are meant to be owned and controlled by the members, for the benefit of non-member entities. That Windermere likely received payment for these services from the non-members does not render this exercise of extralegal authority harmless. If the tenants are not members and have received service, they have taken service through infrastructure that its members funded. Proper governance of the corporation requires that, at a minimum, the corporation's bylaws must reflect the members' will and the members have dictated that a member's investment entitles that member to receive service. If Windermere is allowed to operate outside the parameters of its bylaws by providing service to non-members, it is not member-controlled; and then, Windermere cannot satisfy TWC § 13.002(24)'s definition of water supply corporation.

B. BYLAWS ARTICLE 5.3 - LIMITATIONS ON ACTIVITIES

Bylaws Article 5.3 limits Windermere's activities by stating, "[t]he Corporation shall have no power to engage in activities or use its assets in a manner that are [sic] not in furtherance of the legitimate business of a water supply cooperative or sewer service cooperative as recognized by 1434a and Internal Revenue Code 501(c)(12)(A)." Windermere would have DICE stop its analysis at the fact that Windermere has this written policy. However, stopping the investigation here would disregard the WSC's conduct that violates this written procedure as Windermere's board has made decisions and used the corporation's resources in a manner which ultimately harms the corporation and, by extension, its members.

For example, as noted in *Ratepayers Appeal of the Decision by Windermere Oaks Water Supply Corporation to Change Water and Sewer Rates*, Docket No. 50788, Windermere significantly increased its rates to cover legal expenses stemming from a 2016 land transaction in which a then-sitting member of the Windermere board of directors, in breach of her fiduciary duty to the corporation, purchased land owned by Windermere for \$70,000 below market value.¹⁹ Had

¹⁹ Exhibit E, Charge of the Court at 6, *Rene Ffrench, John Richard Dial, Stuart Bruce Sorgen, Intervenor Plaintiffs, and as Representatives for Windermere Oaks Water Supply Corporation v. Friendship Homes & Hangars*,

Windermere operated in accordance with this bylaw, it would not have allowed its property to be sold to a seated member of the board below full market value. Not only is this a violation of Bylaws Article 5.3, but it is also a breach of the board's fiduciary and ethical duties to its member-owners.

To make matters worse, on November 14, 2019, at a meeting held at 3:00 pm on a Thursday afternoon,²⁰ the board voted to have the WSC "cover all past and future litigation costs for all past and future defense costs for all Directors, current and former, conditioned upon each signing a sworn statement pursuant to business organizations code 8.104."²¹ Texas Business Organization Code (TBOC) § 8.104 does allow Windermere to "pay or reimburse reasonable expenses incurred by a *present* governing person or delegate who was, is, or is threatened to be made a respondent in a proceeding" (emphasis added). However, Windermere is only allowed to pay or reimburse such expenses after the governing person (i.e., a member of the board of directors) provides a written pledge to repay the amount the WSC has already paid if the proceeding's final determination is that: (1) the director has not met the standard of good faith required under TBOC § 8.101(a); or (2) indemnification is prohibited by Section 8.102.²²

There are two significant issues with Windermere's adoption of this policy to pay for or reimburse legal expenses. First, the board required the corporation to assume responsibility for all current *and* former directors; this explicitly conflicts with TBOC § 8.104(a), which allows only for payment for the expenses of current members of the board. Second, Windermere began payment of directors' legal expenses before it received any sort of written promise to repay from the directors.²³ The WSC's legitimate business needs do not include payment for former director's expenses and do not include payment of expenses prior to first obtaining the legally required

LLC and Burnet County Commissioners Court, Windermere Water Supply Corporation et. al., No. 48292 (33rd Dist. Ct., Burnet County, Tex. Nov. 18, 2022) (in which the jury affirms that Dana Martin failed to comply with her fiduciary duty to Windermere).

²⁰ Most meetings of Windermere's board of directors appear to start at 6:00 pm when the meeting is held on a weekday, presumably to allow members to attend the meeting outside of normal business hours.

²¹ Exhibit F, November 14, 2019 Board meeting minutes.

²² TBOC § 8.051 requires indemnification of a governing person or delegate only if the "person is wholly successful, on the merits or otherwise, in the defense of the proceeding."

²³ Windermere Oaks Water Supply Corporation's Response to Ratepayers' Representatives Second Request for Information at 20, 9-18, PUC Docket No. 50788, SOAH Docket No. 473-20-4071.WS (Nov. 24, 2020) (Director affirmations).

written pledge of repayment. Remarkably, four directors voted to cover all past and future legal expenses for themselves and other current and former directors related to this sale of property to a former director; the members of Windermere did not have a say in this vote.²⁴ These actions clearly show how the corporation's assets are being used for individual benefit rather than for the good of the WSC or its membership.²⁵ If Windermere has engaged in activities that are not in furtherance of the legitimate business of a water supply corporation, then Windermere has not satisfied TWC § 13.002(24). Again, the result is grounds for jurisdiction under TWC § 13.004.

C. BYLAWS ARTICLE 8.18 - CONFLICT OF INTEREST

The need for a conflict of interest policy as a reasonable way to ensure that the corporation is governed and operated to protect the control and ownership of the members seems clear. It is clearly stated in Bylaws Article 8.18, as well: "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." However, the board did not adopt a policy until October 9, 2019 at least five years²⁶ after this bylaw was adopted by the board.²⁷

As above, Windermere would have the Commission stop its analysis here; the fact the board eventually adopted this conflict of interest policy, the WSC would claim, should be sufficient grounds for it to pass this first threshold test. However, as evidenced by the board's actions *after* it adopted its policy, the Commission must examine whether the corporation has acted in accordance with its own written directives. The board's vote to pay legal expenses of current and former directors involved with approving the sale of corporation property at below market

²⁴ Exhibit F. DICE notes that at least one member remarked on the abnormal timing of the meeting, and consequently the vote taken to pay for these illegitimate expenses.

²⁵ Pending Docket No. 50788 will determine whether the myriad external legal expenses are reasonably incurred for the purpose of providing water or sewer service. *See* Order on Remand, PUC Docket No. 50788, SOAH Docket No. 473-20-4071.WS (Jun 30, 2022). Should the Commission find that Windermere cannot appropriately pass on to members the types of legal expenses at issue in Docket No. 50788, Windermere will also have violated Section 7.3 of its Bylaws, as well.

²⁶ DICE has not sought discovery of earlier versions of the WSC's bylaws but would not be surprised to learn that the corporation was required to have a conflict of interest policy prior to 2014.

²⁷ Exhibit G, Resolution Adopting Policies Relating to Board of Directors, Conflicts of Interest, Officer Responsibilities, Ethics, and Other Matters Relating to the Administration and Management of the Corporation, dated October 9, 2019; Exhibit V, Policies Relating to the Board of Directors, Conflicts of Interest, Officer Responsibilities, Ethics, and Other Matters Relating to the Administration and Management of the Corporation.

rates is evidence enough to demonstrate why the Commission must look at both the existence of and adherence to written policies enacted to ensure member-control.

In adopting its conflict of interest policy, the Windermere board recognized that the policy was designed to “promote the business of the corporation and serve the interests of the Membership.”²⁸ However, Windermere’s board has repeatedly failed to act in a manner that is in the best interest of the corporation or its members. Prior to adopting the policy, the board approved the sale of an asset at below market value, an action that a district court declared is a violation of the board’s fiduciary responsibility.²⁹ After adopting the policy, the board approved the use of corporate resources to pay for legal expenses of former and current directors in contravention of state law and corporate policy. Neither of these actions comport with the spirit of Bylaws Article 8.18 or the actual intent of the WSC’s written conflict of interest policy. Selling assets below their market value, paying for expenses that state law prohibits the corporation from paying, and protecting board members who have been found to have violated their fiduciary duties to the corporation all demonstrate how the board disregards the non-profit corporation’s duties under Texas Nonprofit Corporation Law, and the members are the ones left paying the bill. In other words, there is no oversight of this board, and because this board has failed to ensure that its members remain in control of the corporation, the Commission should assert its own oversight of Windermere.

E. BYLAWS ARTICLE 10.3 - TRANSFER OF MEMBERSHIP

DICE’s investigation concluded that Windermere did not adhere to TWC § 13.002(24)’s requirement that each member of a WSC be allowed a single vote. DICE will take up that specific claim in Section V below as part of its analysis of the conduct of annual elections. Relevant to the first threshold test, however, is the fact that during the 2022 annual election, Windermere allowed votes to be registered under the names of individuals who have passed away. In his complaint, Mr. Walker pointed out that deceased individuals were allowed to vote;³⁰ in response, Windermere argued that the Commission does not have jurisdiction to examine Windermere’s election conduct and stated that, even if the Commission did have the authority to review Windermere’s election,

²⁸ *Id.* at 1.

²⁹ Exhibit E.

³⁰ Walker complaint at 13.

membership passes to the deceased membership holder's heirs upon a member's death which, thus, allows a deceased member's "representative" to vote on his or her behalf.³¹

DICE clarifies that Windermere's bylaws do not permit a membership to transfer to any "heir" upon a member's death, as Windermere used that term in its response to the Walker complaint. This interpretation directly conflicts with Windermere's Bylaws Article 10.3, which states, in relevant part, that a transfer of membership may not occur except "by will to a transferee who is a person related to the testator within the second degree of consanguinity" or "by transfer without compensation to a transferee who is a person related to the owner of the membership within the second degree of consanguinity."³² Texas law generally recognizes only parents and their children to be related through the first degree of consanguinity and grandparents and grandchildren and siblings to be related through the second degree.³³ Certainly then, all eligible transferees under these circumstances are heirs, but not all heirs can receive a transfer of a membership. The bylaws mention nothing about the direct conveyance of membership to "heirs." Windermere's response glosses over the need for either a bequeathment or a transfer without compensation "to a person related to the testator or transferor within the second degree of consanguinity." A member's heir might be a cousin; a member's heir might be a niece or nephew. Such persons, per the bylaws, cannot be a transferee, and the membership could not pass upon the death of the membership holder. Further, even if a member could unilaterally transfer membership to an heir, the ballot register would list the heir, not the deceased. The logic falls apart; the argument cannot hold.

While Windermere claimed in its response to the Walker complaint that analysis of transference of membership is outside the scope of the Commission's authority, DICE disagrees. This reference to conveyance by heirship is indicative of a larger problem. Windermere does not have a readily discernible process for verifying eligible voting membership, including those who obtain a vote through the transfer of membership. It appears as though, prior to an annual election, Windermere does not review its records to confirm that the persons listed on the ballot register are indeed eligible to vote in the annual election. If, as Windermere's response implies, the WSC is

³¹ Docket No. 53796, Windermere Oaks WSC's Response to Complaint of Jeff Walker and Motion to Dismiss at 26 (Aug. 12, 2022).

³² Exhibit B at 17.

³³ See Gov't Code § 573.023.

automatically transferring memberships upon death, then Windermere is violating Bylaws Article 10.3 and extending unauthorized memberships to persons who would not otherwise be entitled a vote in annual or special elections. If Windermere is allowing unauthorized members to vote, then Windermere is not member-controlled. The result: jurisdiction under TWC § 13.004.

F. BYLAWS ARTICLE 12.7 - AMENDMENTS

Windermere has also disregarded its own bylaws governing the process required to amend the bylaws themselves. Bylaws Article 12.7 states, in part, that “No amendment of these bylaws affecting memberships, the voting rights of members, or the number of directors may be made without a majority vote of a quorum of members.”³⁴ This provision speaks directly to member control because bylaws are the operating rules that both the corporation and members must follow, and if Windermere’s board changed the rules affecting membership rights or obligations without the consent of the membership, Windermere has denied its members the control to which they are entitled under TWC § 13.002(24).

Windermere’s failure to adhere to proper process is apparent in the evolution of Bylaws Article 10.6, which addresses membership fees. In 2014, Windermere’s bylaws specified that the membership fee would be \$350. However, on March 20, 2018, the Board voted to change the membership fee in Windermere’s tariff from \$350 to \$402.50.³⁵ In direct violation of Windermere’s bylaws, there was no membership vote on this change affecting memberships. For the next 42 months, Windermere charged a membership fee that was not established in accordance with its bylaws.

On February 1, 2020, when the Board proposed amending Bylaws Article 10.6 again, this time to remove the specific dollar amount for the membership fee, the board allowed only those members who attended in person the special members meeting to vote.³⁶ Members were not allowed to mail in or drop off their ballots as was their right under Bylaws Article 7.4.³⁷ Moreover, under TWC § 67.007(a-1), in determining a “quorum for the transaction of business at a meeting of the members . . . all members and shareholders who mailed or delivered ballots to the

³⁴ DICE notes that this subsection was improperly labeled as 12.8 in the version of the Bylaws approved on Sep. 25, 2014.

³⁵ Exhibit H, Minutes from March 20, 2021 Windermere Board meeting.

³⁶ Exhibit I, Minutes from February 1, 2020 Annual Members Meeting.

³⁷ *Id.*

independent election auditor or the corporation on a matter submitted to a vote at the meeting are counted as present.”³⁸ This language is significant for two reasons. First, the language extends to “business” “submitted to a vote at the meeting”; it is not limited to voting in an election of board members. Second, it clearly indicates that members should be allowed to mail or deliver ballots. This is yet another example of the board disenfranchising certain members of the corporation, when instead it is ethically and legally bound to operate in a manner so as to ensure that it is member-controlled. Curtailing the single most powerful demonstration of the members’ control over the corporation is a violation of TWC § 67.007 and demonstrates how Windermere operates in a manner that does not comply with the definition of a water supply corporation.

V. THRESHOLD TEST 2: CONDUCT OF ANNUAL OR SPECIAL MEETINGS IN ACCORDANCE WITH TWC § 67.007

Whereas threshold test one examined whether Windermere had written policies to ensure that it remain member-owned and member-controlled and operates in a manner consistent with those policies, threshold test two also requires a two-step analysis to determine if Windermere has adopted written policies regarding its member meetings and conducts those meetings in a manner that complies with TWC § 67.007. Part of DICE’s analysis is to determine whether Windermere made available the written policies to its members. If Windermere has failed in either of those respects, and it certainly has, the Commission may assert full jurisdiction.

That this determination be subject to a two-step analysis is crucial. The Commission’s analysis does not end once it has determined whether the corporation has *adopted* election procedures that conform with TWC § 67.007 and the other sections referenced therein. As DICE detailed in Section III, because TWC § 13.004(a)(1) says the Commission must find that the corporation, “is failing to *conduct* annual or special meetings,” it is not sufficient to determine that, so long as the corporation has written policies that match up with the TWC, all is well. In other words, even if Windermere held its annual meeting between January 1 and May 1, adopted written policies, adopted an official ballot, and selected an independent election auditor, the analysis is not yet complete. To argue that the Commission need not examine whether any of the written procedures are being followed, if official ballots are being used, or if the election auditor is truly

³⁸ This language is mirrored in Bylaws Article 7.6.

independent renders the word “conduct” meaningless and leaves the Commission nearly toothless. The Commission must examine Windermere’s actual conduct, not merely its policies, in determining whether Windermere is entitled to continued freedom from traditional regulatory oversight. Based on this two-step analysis, DICE concludes that Windermere’s conduct failed to adhere to both the annual meeting requirements of TWC § 67.007 and the requirements set forth in its own bylaws for meetings and election procedures.

A. TWC § 67.007(A) & BYLAWS ARTICLE 7.2 - ANNUAL MEETINGS

Statute requires water supply and sewer service corporations to hold an annual meeting sometime between January 1 and May 1 each year. Windermere’s Bylaws Article 7.2, until amended on November 18, 2021, stated, “The annual meeting of members for the election of directors and for the transaction of other business which may come before the meeting shall be held on the first Saturday in February of each year....”³⁹ While the bylaw tracks with TWC § 67.007(a)’s requirement that a WSC’s annual meeting be held between January 1 and May 1, simply parroting the annual meeting requirements set out in TWC § 67.007 is not the end of the inquiry. Because, in 2016, 2017, 2018, 2019, and 2021, Windermere’s elections were not held on the required date.⁴⁰ Windermere would put the Commission in the position of glorified proofreader arguing that the Commission can look only to whether Windermere has adopted written policies that comply with TWC § 67.007.⁴¹ However, DICE argues that the bylaws use of the word “shall” is instructive because (a) it represents a policy enacted by the consent of its members, and (b) it indicates a requirement that the members placed on the governing body—one that the board did not satisfy for five of the last seven years.

In the abstract, flagrant disregard for rules adopted by the corporation’s owners demonstrates the WSC’s disregard for the authority of those owners. Such a view jeopardizes the members’ control and ownership of the utility. Yet, in practice and taken alone, the Commission may determine the meetings occurred when the statute required them to occur, even if they did not

³⁹ Exhibit A, Bylaws 2014.

⁴⁰ Exhibit J, Minutes from April 30, 2016 Windermere Board Meeting; Exhibit K, Minutes from April 22, 2017 Windermere Board Meeting; Exhibit L, Minutes from April 21, 2018 Windermere Board Meeting; Exhibit M, Minutes from March 9, 2019 Windermere Board Meeting; Exhibit N, Minutes from March 27, 2021 Windermere Board Meeting.

⁴¹ Windermere Response at 16-18.

happen when the bylaws required them to occur; and perhaps that would not be enough to trigger full jurisdiction over the corporation.

So, DICE considers Windermere's conduct of its annual meetings in the context of its many other violations and finds there is overwhelming justification to conclude that Windermere's board repeatedly thumbed its collective nose at the corporation's members through brazen indifference of the policies by which the board and the corporation are meant to be governed.

B. TWC § 67.007(A) & BYLAWS ARTICLE 8.2 – NUMBER OF DIRECTORS

The true problem with Windermere's failure to adhere to the "first Saturday in February" requirement detailed in Section V.A is that it also results in a violation of Bylaws Article 8.2, which requires that "[t]here shall be two sets of directors, each serving two year terms expiring on alternate years".⁴² If elections are sometimes held in February, sometimes held in May, then certain directors serve terms that are either too long or not long enough. What if a group of directors sought to remove a board member with views reliably contrary to those of the majority of the board early by scheduling elections four months prior to when the last set of elections occurred? Or alternatively, what if a group of directors that were so wildly out of step with the corporation's members desire purposefully delayed elections until April 30 so that they could finish their self-interested work? To argue that "shall" is not a requirement in either Bylaws Article 7.2 or Bylaws Article 8.2 renders meaningless policies that are intended to safeguard the transparency of the elections process—which DICE remarks is the fundamental objective of TWC § 67.007—and to give members the collective opportunity to ensure the board is comprised of directors that represent the members' collective will.

C. TWC § 67.007(B) - ADOPTION OF WRITTEN PROCEDURES FOR ANNUAL OR SPECIAL MEETINGS

Under TWC § 67.007(b), the board of a WSC "shall adopt written procedures for conducting an annual or special meeting of the members or shareholders in accordance with this section and Sections 67.0052, 67.0053, and 67.0054." The procedures are required to detail: (1) notice to members of the agenda, location, and date of the meeting; (2) director election

⁴² Exhibit A at 6.

procedures, (3) the ballot form to be used; and (4) the validation of eligible voters, ballots, and election results.⁴³

It is true that Windermere has adopted written procedures for conducting its annual meetings.⁴⁴ It is true that those written procedures set out certain requirements, such as deadlines for issuing notice and for the filing of applications,⁴⁵ information to be included in applications,⁴⁶ and an annual ballot form.⁴⁷ The written procedures also articulate the requirement for an independent auditor, who counts the ballots and provides a report of the results prior to adjournment of the meeting.⁴⁸ Windermere's election procedures even call for the establishment of Credentials Committee that "shall review the application [to stand for election to the board of directors] for completeness, including confirming with the Corporation that the applicant is a current member."⁴⁹

However, in investigating how Windermere has conducted its annual meetings, as required by TWC § 13.004(a)(1), DICE finds that the corporation's recent actions have not adhered to these written policies in three ways. First, Windermere failed to follow the process used to evaluate the eligibility of an applicant to the board. Second, voting procedures used during Windermere's 2022 annual meeting did not comport with its policies, and third, Windermere selected an election auditor who was not independent, as defined by its policies.

1. TWC § 67.0054 - Election Procedures

During its 2022 annual meeting, some Windermere members were not allowed to vote at the meeting but were required, instead, to vote before the annual meeting.⁵⁰ This is a direct violation of the election procedures set out in TWC § 67.0054(a), which states that a

member or shareholder may vote: (1) in person at the annual meeting; (2) by mailing a completed ballot to the office of the independent election auditor or to

⁴³ TWC § 67.007(b)(1) through (4).

⁴⁴ Exhibit O, Windermere Oaks Water Supply Corporation Election Procedures for the 2022 Annual Members Meeting, included as Attachment 8 to Walker Complaint.

⁴⁵ *Id.* at 8.

⁴⁶ *Id.* at 10-11.

⁴⁷ *Id.* at 14.

⁴⁸ *Id.* at 6.

⁴⁹ *Id.* at 3.

⁵⁰ Walker Complaint at 7.

the corporation's main office . . . ; or (3) by delivering a completed ballot to the office of the independent election auditor or to the corporation's main office⁵¹

The 2022 annual meeting was held on March 19, 2022, starting at 10:00 am. While the Notice of Member Meeting for the 2022 election stated that members would “need to check in with the Independent Election Auditor . . . between 9:30 am and 10:00 am with a photo ID,” the notice did not include a statement that members would be required to vote before the meeting commenced.⁵² The Notice indicated that the meeting would begin at 10:00 am.⁵³ At least one member, John Coker, arrived shortly after 10:00 am, well before the meeting concluded; Mr. Coker was denied the opportunity to vote.⁵⁴ “At” is not the same as “before.” In previous years, members voted after the annual meeting had commenced, as required under TWC § 67.0054(a)(1).⁵⁵ Windermere's election procedures do not ensure that members are informed about when votes will be accepted during the meeting. Again, the Commission has ample grounds to assert its jurisdiction.

2. TWC § 67.007(d) – Selection of an Independent Election Auditor

Under TWC § 67.007(d), the board must select an independent election auditor to receive ballots, count the ballots before the annual meeting is adjourned, and deliver a written report of the election results to the board. The independent election auditor cannot, by law, be an employee or an independent contractor engaged by the WSC in its regular course of business. When the board selected Paul Hischar as independent election auditor during the February 7, 2022 board meeting,⁵⁶ it was well within its rights. However, when issues arose with counting ballots and classifying some ballots as provisional, Windermere recruited the services of Lloyd Gosselink in evaluating those ballots⁵⁷ and effectively violated TWC § 67.007(d) by having the law firm that it contracts with in the regular course of business weigh in on who could vote, which ballots should

⁵¹ While not expressly enumerated in TWC § 13.004, this section of the TWC is required to be followed under TWC § 67.007(b), which *is* expressly called out in § 13.004.

⁵² Walker Complaint at Attachment 9.

⁵³ *Id.* at Attachment 9.

⁵⁴ *Id.* at Attachment 10.

⁵⁵ *Id.*

⁵⁶ Attachment P, Minutes from February 7, 2022 Board meeting.

⁵⁷ Exhibit Q, Windermere Oaks WSC News Update 03/25/2022, included as Attachment 19 to the Walker Complaint; Exhibit R, Notice from Windermere Board regarding evaluation of ballots dated March 21, 2022.

count for whom, and which ballots did not count at all. The procedures allow the auditor to “enlist the assistance of members or other individuals to count ballots or assist with other duties” but explicitly state that an individual assisting the independent election auditor cannot be “an employee of the Corporation, a current director or candidate, a family member of a director running for election, a candidate, or an independent contractor engaged by the Corporation as part of the Corporation’s regular course of business.”⁵⁸

Notably, Mr. Burris, Windermere’s general manager, was responsible for collecting ballots from the ballot box located at the Windermere pavilion, and from the Windermere drop box.⁵⁹ Mr. Burris’s involvement in the handling of ballots prior to the annual meeting is contrary to TWC § 67.0054. This provision, which speaks directly to election procedures, states that ballots not cast at the annual meeting must be mailed or hand delivered to the office of the independent election auditor or the corporation’s main office. A ballot box at a pavilion monitored by a general manager does not satisfy this statutory requirement. The risk, of course, is one of electoral impropriety. Texas Water Code § 67.007 puts procedures in place for a reason—to ensure that WSCs remain accountable to its members while they are exempted from the Commission’s higher degree of regulatory oversight. Here, again, the Commission can see Windermere’s failure to adhere to policy—either that of the state of Texas or its own.

D. BYLAWS ARTICLE 7.4 - MEMBERSHIPS AND VOTING OF MEMBERSHIPS

One of the requirements of TWC § 67.007 is that the board must adopt written procedures to validate the list of members eligible to vote at a meeting of the corporation.⁶⁰ Windermere’s Bylaws Article 7.4 addresses this requirement, in part, by limiting the number of votes to one for each member, irrespective of the number of memberships that person holds. This limitation mirrors TWC § 13.002(24), which states that “a person is entitled to only one vote regardless of the number of memberships the person owns.”

To effectuate the requirement of TWC § 67.007(b)(4), Windermere adopted election procedures which, in part, state that “[a]t least 40 days prior to the annual meeting the Corporation will prepare an alphabetical list of the names and addresses of all its voting members (“Voting

⁵⁸ Walker Complaint at 6-7.

⁵⁹ Jeff Walker’s Response to Windermere Oaks Water Supply Corporation’s Motion to Dismiss at 12, Docket No. 53796 (Sep. 9, 2022).

⁶⁰ TWC § 67.007(b)(4).

Roster") as required by Section 22.158 of the Business Organizations Code."⁶¹ The WSC is required by its bylaws to provide a copy of the list of eligible voters to any requesting member, under certain circumstances.⁶²

Mr. Walker legitimately requested a copy of Windermere's voting roster immediately following the 2022 election, and he received two distinct documents, which he included in his complaint.⁶³ DICE examined the documents and found them neither to comprise a single comprehensive list nor be two identical documents. Many names were included on both documents, but others were not.

Per Windermere's election procedures, the "Corporation shall provide a copy of Voting Roster to the Independent Election Auditor to verify the members which may cast a ballot in the election."⁶⁴ If Windermere is required to prepare an alphabetical roster for the election auditor to reference, the preparation of two distinct lists demonstrates a failure to comply with TWC § 67.007. It is unclear why there were two registers; there was one election, at one location, at one point in time. Maintenance of two lists that are almost but not actually identical demonstrates that Windermere did not have a reliable method to verify which members were in fact eligible to vote.

Moreover, the voting roster included names of non-members and heirs of deceased members, who were allowed to vote in the 2022 election. Additionally, the ballot registers indicate that a number of members may have voted twice.⁶⁵ Some members were not allowed to vote. The following is a non-comprehensive list of inconsistencies in the ballot registers:

1. Essi and Elsa Atarod are listed twice on both Ballot Registers.⁶⁶ Perhaps the Atarods have two memberships and as a consequence should be entitled to vote under either of the memberships. However, the procedure to limit the Atarods (or any member with multiple memberships) to a single vote appears to rely on good faith at best or the independent election auditor at worst.

⁶¹ Exhibit O at 5.

⁶² Bylaws Article 7.7.

⁶³ Walker Complaint at 12.

⁶⁴ Exhibit O at 5.

⁶⁵ Exhibit S, Ballot Register A, at 13, 18.

⁶⁶ Exhibit T, Ballot Register B, at 1; Exhibit S at 1.

2. Ted Blackberry is listed twice on both registers, and his vote is checked on line 11 on Ballot Register A and line 10 on Ballot Register B.⁶⁷ It is unclear whether Mr. Blackberry voted multiple times or whether his vote was counted multiple times.⁶⁸
3. Chris Elder Homes is listed twice, and on both registers, there is a vote included for each of the two entries.⁶⁹ Not all members who voted were marked as voting on each register, as noted below.
4. Darryl and Anita Dismuke are marked as voting on both of the ballot registers.⁷⁰
5. Double F Hanger is listed twice; one entry includes Rene Ffrench as an "Addtl Name" and the second entry lists Bruce Sorgen.⁷¹ No vote is listed for either entry.⁷² Notably, Mr. Sorgen was not allowed to vote in the election, despite the fact that his name appears on both ballot registers, despite the fact that he receives a monthly bill from Windermere, and despite the fact that he received a ballot in the mail.⁷³ The independent election auditor selected by the Board, Windermere's General Manager George Burris, and one of Windermere's attorneys, Cole Ruiz, ultimately deemed Mr. Sorgen ineligible to vote because he was not a member.⁷⁴
6. On Ballot Register B, FC Hangars LLC voted; not so on Ballot Register A.⁷⁵
7. Patricia Flunker is listed twice on both registers, though she is only listed as having voted, a single time, on Ballot Register A.⁷⁶
8. Ballot Register A indicates that Michael and Linda Fritzler and Josie Fuller voted; not so on Ballot Register B.⁷⁷

⁶⁷ Exhibit T at 2; Exhibit S at 2.

⁶⁸ *Id.*

⁶⁹ Exhibit T at 4; Exhibit S at 4.

⁷⁰ Exhibit T at 5; Exhibit S at 4.

⁷¹ *Id.* at 6.

⁷² *Id.*

⁷³ Exhibit U, Affidavit of Bruce Sorgen, included as Attachment 17 to the Walker Complaint.

⁷⁴ *Id.*

⁷⁵ Exhibit T at 6; Exhibit S at 6.

⁷⁶ *Id.* at 7.

⁷⁷ *Id.* at 7.

DICE will not belabor the point. Based on the documents that Windermere provided to Mr. Walker, Windermere's 2022 election was not "one member, one vote" and did not satisfy TWC § 13.002(11) or (24). Even if Windermere were to claim that it provided two copies of the same list to Mr. Walker, having found some eight discrepancies in the span of six pages, there is no question—Windermere's 2022 election was, for lack of a better term, "two registers, one mess."

Windermere claimed, in its response to Mr. Walker's complaint, that the Commission has no right to assess whether Windermere's conduct complied with laws and procedures governing its annual elections.⁷⁸ The evidence above demonstrates exactly why the Commission is tasked with analyzing the WSC's "conduct" and is not limited to a binary of test of whether written policies exist. DICE respectfully urges the Commission to assert its jurisdiction and require Windermere to adhere to the same rules and regulations that apply to water and sewer utilities.

VI. CONCLUSION

Windermere is not acting as a water supply corporation as defined by the Texas Water Code. It has violated many of its own bylaws that are intended to ensure it functions as a member-owned, member-controlled nonprofit. Windermere has failed to hold its annual meetings pursuant to the Texas Water Code and as outlined by its bylaws. For these reasons, DICE respectfully requests that the Commission find that Windermere has failed to act in accordance with TWC § 67.007 and that it is operating in a manner inconsistent with its classification as a non-profit water supply corporation as defined in TWC §§ 13.004(11) and (24). Given those failings, DICE further requests that the Commission find that it has the same jurisdiction over Windermere that the Commission has over a water and sewer utility as provided under TWC § 13.004 and 16 TAC § 24.47, thereby allowing the Commission to exercise the same supervision over Windermere that it might exercise over any other water and sewer utility.

⁷⁸ Exhibit T; Exhibit S; Windermere's Response at 25-26.

Dated: September 12, 2023

Respectfully Submitted:

**PUBLIC UTILITY COMMISSION OF TEXAS
Division of Compliance and Enforcement**

Barksdale English
Division Director

/s/ Merritt Lander

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DOCKET NO. 55454

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via certified mail or electronic mail on September 12, 2023, in accordance with the Order Suspending Rules filed in Project No. 50664.

/s/ Merritt Lander

Merritt Lander

BY-LAWS
OF
WINDERMERE OAKS WATER SUPPLY CORPORATION

ARTICLE 1 - NAME

The name of the Corporation is Windermere Oaks Water Supply Corporation.

ARTICLE 2 - NONPROFIT CORPORATION

The Corporation is a non-profit, member-owned, member controlled water supply and sewer service corporation incorporated under the provisions and definitions of TEX. REV. CIV. STAT. ANN. art. 1434a (now Texas Water Code Chapter 67) and the Texas Non-Profit Business Corporation Act. The Corporation shall have members. The members shall elect the governing Board of Directors. The Corporation shall be subject to the Texas Open Meetings Act, Gov't Code Chapter 551 and the Texas Public Information Act, Gov't Code Chapter 552.

ARTICLE 3 - PURPOSES

The purpose of the Corporation is to furnish a water supply or sewer service, or both, to towns, cities, private corporations, individuals, and military camps and bases, and for the purpose of providing a flood control and drainage system for towns, cities, counties, other political subdivisions, private corporations, individuals, and other persons.

ARTICLE 4 - POWERS

Except as otherwise provided in these bylaws, the Corporation's articles of incorporation or the laws of this state, the Corporation shall have all powers invested in a water supply or sewer service corporation by 1434a, the Texas Non-Profit Corporation Act, the Texas Water Code, and the administrative rules of the Texas Commission on Environmental Quality and its successor agency(ies), not inconsistent with Internal Revenue Code Section 501(c)(12)(A) and related federal regulations, rulings, and procedures.

ARTICLE 5 - RESTRICTIONS AND REQUIREMENTS

1. DIVIDENDS

No dividends shall ever be paid upon the memberships of the Corporation. No income of the Corporation may be distributed to members, directors, or officers in these roles. All profits arising from the operations of the business of the Corporation shall be annually paid out to cities, towns, counties, other political subdivisions, private corporations, and other persons who have during the past year transacted business with the Corporation, in direct proportion to the amount of business so 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 such sinking fund(s) such amount of profits as they deem necessary for maintenance, upkeep, operation, and replacements.

2. TRANSFER OF ASSETS UPON DISSOLUTION

Upon discontinuance of the Corporation by dissolution or otherwise, all residual assets of the Corporation remaining after payment of the lawful indebtedness of the Corporation or return of excess profits to members shall be distributed among the members and former members in direct proportion to the amount of their patronage with the Corporation insofar as practical. Any indebtedness due the Corporation by a member for water/sewer service or otherwise shall be deducted from such member's share before final distribution. By application for and acceptance of membership in the Corporation, each member agrees that, upon discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that member shall be in turn immediately transferred by that individual member to an entity that provides a water supply or sewer service, 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 irrevocable power of attorney 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.

3. LIMITATION ON ACTIVITIES

The Corporation shall have no power to engage in activities or use its assets in a manner that are not in furtherance of the legitimate business of a water supply cooperative or sewer service cooperative as recognized by 1434a and Internal Revenue Code 501(c)(12)(A).

ARTICLE 6 - OFFICES

1. REGISTERED OFFICE AND AGENT

The registered office of the Corporation shall be maintained at 424 Coventry Road, Spicewood, Texas 78669-3119 in the State of Texas. The registered agent shall be the duly elected President. The registered office or the registered agent, or both, may be changed by resolution of the board of directors, upon filing the statement required by law.

2. PRINCIPAL OFFICE

The principal office of the Corporation shall be at 424 Coventry Road, Spicewood, Texas 78669-3119 provided that the board of directors shall have the power to change the location of the principal office in its discretion.

3. OTHER OFFICES

The Corporation may also maintain other offices at such places within or without the State of Texas as the board of directors may from time to time appoint or as the business of the Corporation may require.

ARTICLE 7 - MEMBERS

1. PLACE OF MEETING

All meetings of members shall be held either at the registered office of the Corporation in Texas or at such other places, either within or without the state, as shall be designated in the notice of the meeting.

2. ANNUAL MEETING

The annual meeting of members for the election of directors and for the transaction of all other business which may come before the meeting shall be held on the first Saturday in February of each year (if not a legal holiday and, if a legal holiday, then on the next Saturday following) at the hour specified in the notice of meeting. In no event, shall the annual meeting be before January 1 or later than April 30 of any year.

The annual meeting of members may be held for any other purpose in addition to the election of directors, which may be specified in a notice of such meeting.

A members meeting (annual or special) may be called by resolution of the board of directors, the president, or by a writing filed with the secretary signed either by a majority of the directors or by members owning a majority of memberships in the Corporation and entitled to vote at any such meeting.

3. NOTICE OF MEMBERS' MEETING

Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the president, secretary or the officer or person calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the membership books of the Corporation, with postage thereon prepaid.

4. MEMBERSHIPS AND VOTING OF MEMBERSHIPS

The Corporation shall have one class of 'members', which shall be defined by Texas Water Code, Section 13.002(11), as it may be amended.

All customers of the Corporation must hold a membership unless otherwise exempted by law.

Each member shall be entitled to only one vote on each matter submitted to a vote at a meeting of members regardless of the number of memberships held by that member.

A member may vote either in person or ballot mailed or delivered to the Corporation prior to the meeting in the manner and within the deadlines prescribed in the meeting notice.

No member shall be eligible to participate in any vote of the membership if that member has an outstanding utility account balance owed to the Corporation for utility services rendered, membership fees, or authorized fees if said debt has been delinquent for a period of not less than sixty (60) days prior to the date of such election or vote.

5. CLOSING TRANSFER BOOKS AND FIXING RECORD DATE

For the purpose of determining members entitled to notice of or to vote at any meeting of members or any adjournment thereof or in order to make a determination of members for any other proper purpose, the board of directors may provide that the membership transfer books shall be closed for a stated period not exceeding thirty (30) days. If the membership books shall be closed for the purpose of determining members, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the membership books, the by-laws or in the absence of an applicable by-law, the board of directors, may fix in advance a date as the record date for any such determination of members, not later than thirty (30) days and, in case of a meeting of members, not earlier than ten (10) days prior to the date on which the particular action, requiring such determination of members is to be taken. If the membership books are not closed and no record date is fixed for the determination of members entitled to notice of or to vote at a meeting of members, the date on which notice of the meeting is mailed or the date on which the resolution of the board of directors declaring such election is adopted, as the case may be, shall be the record date for such determination of members. When a determination of members entitled to vote at any meeting of members had been made as provided in this section, such determination shall apply to any adjournment thereof, except where the determination has been made through the closing of membership transfer books and the stated period of closing has expired.

6. QUORUM OF MEMBERS

A quorum for the transaction of business at a meeting of the members 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.

7. VOTING LISTS

The officer or agent having charge of the membership books for the memberships of the Corporation shall make, at least ten (10) days before each meeting of members, a complete list of the members entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of memberships held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting. The original membership books shall be prima facie evidence as to who are the members entitled to examine such list or books or to vote at any meeting of members.

ARTICLE 8 - DIRECTORS

1. BOARD OF DIRECTORS

The business and affairs of the Corporation shall be managed by a board of directors. Directors must be: (a) residents of the State of Texas, (b) utility customers of the Corporation and (c) members in the Corporation.

2. NUMBER OF DIRECTORS

The number of directors shall be five (5) provided that the number may be increased or decreased from time to time by an amendment to these by-laws, but no decrease shall have the effect of shortening the term of any incumbent director. The number of directors may never exceed twenty-one (21).

There shall be two sets of directors, each serving two year terms expiring on alternate years except as provided herein. Each set of directors shall have relatively the same number of directors.

The Corporation shall have three initial directors for purposes of incorporating the Corporation and directing its affairs until the election of the first elected directors at the first annual meeting of members. All directorships shall be open for election at the first annual membership meeting. Four of the directorships shall be for terms of two years; Three directorship shall be for terms of one year. The length of the terms for the first elected directors shall be determined by lot. Thereafter, all directorships shall be for two year terms expiring on alternating years.

3. QUALIFICATIONS FOR ELECTION OR APPOINTMENT AS DIRECTOR.

(a) To be qualified for election or appointment as a director, a person must be:

- (1) 18 years of age or older on the first day of the term to be filled at the election or on the date of appointment, as applicable; and
- (2) a member or shareholder of the corporation.

(b) In addition to the qualifications prescribed by Subsection (a), a person is not qualified to serve as a director if the person:

- (1) has been determined by a final judgment of a court exercising probate jurisdiction to be:

(A) totally mentally incapacitated; or

(B) partially mentally incapacitated without the right to vote; or

(2) has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.

(c) If the board determines that a person serving as a director does not have the qualifications prescribed by Subsections (a) and (b), the board shall, not later than the 60th day after the date the board makes that determination, remove the director and fill the vacancy by appointing a person who has the qualifications prescribed by those subsections.

4. BALLOT APPLICATION FOR ALL MEMBER ELECTIONS.

(a) To be listed on the ballot as a candidate for a director's position, a person must file an application with the corporation that includes:

(1) the director's position sought, including any position number or other distinguishing number;

(2) the person's written consent to serve, if elected;

(3) biographical information about the person; and

(4) a statement of the person's qualifications, including a statement that the person has the qualifications prescribed by Water Code Section 67.0051.

(b) The application must be filed with the corporation not later than the 45th day before the date of the annual meeting.

(c) The corporation shall make available director candidate application forms at the corporation's main office and shall provide application forms by mail or electronically on request.

5. BALLOT FOR ALL MEMBER ELECTIONS.

(a) Not later than the 30th day before the date of an annual meeting, the corporation shall mail to each member or shareholder of record:

(1) written notice of the meeting;

(2) the election ballot; and

(3) a statement of each candidate's qualifications, including biographical information as provided in each candidate's application.

(b) The election ballot must include:

- (1) the number of directors to be elected; and
- (2) the names of the candidates for each position.

6. ELECTION PROCEDURES FOR ALL MEMBER ELECTIONS.

(a) A member or shareholder may vote:

- (1) in person at the annual meeting;
- (2) by mailing a completed ballot to the office of the independent election auditor or to the corporation's main office, which ballot must be received by the corporation not later than noon on the business day before the date of the annual meeting; or
- (3) by delivering a completed ballot to the office of the independent election auditor or to the corporation's main office not later than noon on the business day before the date of the annual meeting.

(b) The independent election auditor, appointed by majority vote of the Board of Directors, shall receive and count the ballots before the annual meeting is adjourned.

(c) For each director's position, the candidate who receives the highest number of votes is elected.

(d) If two or more candidates for the same position tie for the highest number of votes for that position, those candidates shall draw lots to determine who is elected.

(e) The independent election auditor shall provide the board with a written report of the election results.

(f) The board may adopt necessary rules or bylaws to implement this section, including rules or bylaws to ensure the fairness, integrity, and openness of the voting process.

7. OFFICIAL BALLOT.

The Board shall adopt an official ballot form to be used in conducting the business of the Corporation for any member election. No other ballot form will be valid. Ballots from members or shareholders are confidential and are exempted from disclosure by the corporation until after the date of the relevant election. Proxies shall not be used.

8 INDEPENDENT ELECTION AUDITOR.

The Board shall select an independent election auditor not later than the 30th day before the scheduled date of the annual meeting. 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:

- (a) an employee;
- (b) a director or candidate for director; or
- (c) an independent contractor engaged by the corporation as part of the corporation's regular course of business.

9. VACANCIES

A director may resign at any time during his term. If a director is absent from three (3) or more consecutive regular meetings of which the director was sent mailed written notice, that director may be removed by two-thirds (2/3rds) vote of all other directors in special meeting. The director subject to removal for absenteeism must be sent written notice of the time, date, place, and purpose of such meeting by certified United States mail at least ten (10) days before the meeting.

A director may be removed majority vote of all members. Any member, officer or director may present charges in writing against a director with the Secretary/Treasurer of the Corporation. If presented by a member, the charges must be accompanied by a petition signed by at least ten (10%) percent of the members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the membership. The director(s) against whom such charges have been presented shall be informed in writing of the charges at least twenty days before the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel, to present witnesses and other evidence in rebuttal of such charges, and to question other witnesses. The person(s) bring such charges shall have the same rights. The president shall preside over the meeting unless (s)he is the subject of the charges, in which case the vice president shall

preside. If both the president and vice president are the subject of the charges, the directors who are not subject to charges shall appoint a presiding officer by majority vote.

Any vacancy occurring in the board of directors may be filled by the affirmative vote of the remaining directors, though less than a quorum of the board. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual meeting or at a special meeting of members called for that purpose.

10. QUORUM OF DIRECTORS

A majority of the board of directors shall constitute a quorum for the transaction of business. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

11. ANNUAL MEETING OF THE DIRECTORS

Within thirty days after each annual meeting of members the board of directors elected at such meeting shall hold an annual meeting at which they shall elect officers and transact such other business as shall come before the meeting. Nothing in these bylaws or any action of the board of directors shall prohibit the holding of the annual meeting of directors immediately following and at the same place as the annual meeting of members except the unavailability of all directors elected at the annual meeting; in which such case, the annual meeting of directors shall be held within thirty days.

12. REGULAR MEETING OF DIRECTORS

A regular meeting of the board of directors may be held at such a time as shall be determined from time to time by resolution of the board of directors.

13. SPECIAL MEETINGS OF DIRECTORS

The secretary shall call a special meeting of the board of directors whenever requested to do so by the president or by two directors. Such special meeting shall be held at the time specified in the notice of meeting.

14. PLACE OF DIRECTORS' MEETINGS

All meetings of the board of directors (annual, regular or special) shall be held either at the principal office of the Corporation or at such other place, either within or without the State of Texas, as shall be specified in the notice of meeting.

The board of directors shall provide access for the public, new service applicants, and/or members to all regular meetings of the board by setting aside time for hearing of suggestions, proposals, or grievances. Reasonable time limitations may be imposed on persons appearing to address the board on such matters.

15. NOTICE OF DIRECTORS' MEETINGS

Notice of regular or special meetings of the Board of Directors shall be given as required by law and shall include posting of the meeting as required by the Texas Open Meetings Act, Texas Government Code, Sections 551.001 et seq., by furnishing the notice to the county clerk or clerks of the county or counties in which the Corporation provides service, and by posting such notice in a place readily convenient to the public in its administrative office at all times at least seventy-two (72) hours preceding the scheduled time of the meeting. Such notice shall specify the date, hour, place and subject of each meeting held by the Board of Directors. In case of emergency or urgent public necessity, which shall be clearly identified in the notice, it shall be sufficient if the notice is posted four hours before the meeting is convened. Cases of emergency or urgent public necessity are limited to imminent threats to public health or safety or reasonably unforeseeable situations requiring immediate action by the Board. In the event of an emergency meeting, it shall be sufficient if notice is posted four hours before the meeting is convened, and the President or two or more Directors calling such emergency meeting shall, if the request therefor containing all pertinent information has previously been filed at the headquarters of the Corporation, give notice by telephone or telegraph to any news media requesting such notice and consenting to pay any and all expenses incurred by the Corporation in providing such special notice. All such meetings shall then be conducted in the manner required by the Texas Open Meetings Act.

Unless waived in writing, each director must be given a copy of all meeting notices within no less than the time limits set forth above. Notice of annual and regular meetings must be given at least ten (10) days before the meeting. Notice to directors may be by regular mail or hand delivery.

16. ATTENDANCE AT MEETINGS

As all meetings of directors must be open to the public, unless otherwise allowed by the Texas Open Meetings Act for emergency situations, telephone or other similar meetings shall not be permitted. Directors must attend meetings in person.

17. COMPENSATION

Directors, as such, shall not receive any stated salary for their services, but by resolution of the board of directors, expenses of attendance, if any, may be allowed for attendance at each annual, regular or special meeting of the board, provided, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

18. CONFLICT OF INTEREST

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. A director shall not be prohibited from providing goods or services to the Corporation at competitive prices by reason of their directorship, but said director shall not be authorized to vote on any matter in which they may have a pecuniary interest except as a customer of the Corporation. A director has an affirmative duty to exercise reasonable due diligence to investigate and disclose any real or apparent conflicts of interests or pecuniary interests (s)he may have on a matter affecting the Corporation or its members.

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 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 act or omission for which liability of the director is expressly provided by Texas law.

19. GOOD FAITH RELIANCE

In conducting their duties as members of the board, each director (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 of 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, registered engineers, 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 and with ordinary care on information, opinions, reports or statements by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said director reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, a director must disclose any knowledge which (s)he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE 9 - OFFICERS

1. OFFICERS ELECTION

The officers of the Corporation shall consist of a president, a vice-president, and a secretary-treasurer. All such officers shall be elected at the annual meeting of the board of directors. Directors may be elected officers. If any office is not filled at such annual directors meeting, it may be filled at any subsequent regular or special meeting of the board. The board of directors at such annual meeting, or at any subsequent regular or special meeting may also elect or appoint such other officers and assistant officers and agents as may be deemed necessary. Any two or more offices may be held by the same person, except the offices of president and secretary-treasurer.

All officers and assistant officers shall be elected to serve until the next annual meeting of directors (following the next annual meeting of members) or until their successors are elected; provided, that any officer or assistant officer elected or appointed by the board of directors may be removed with or without cause at any regular or special meeting of the board whenever in the judgment of the board of directors the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any agent appointed shall serve for such term, not longer than the next annual meeting of the board of directors, as shall be specified, subject to like right of removal by the board of directors.

2. VACANCIES

If any office becomes vacant for any reason, the vacancy may be filled by a majority vote of the board of directors.

Officers may resign.

Officers may be removed for good cause by the membership under the same procedures applying to directors.

Officers shall serve at the pleasure of the directors and may be removed at any time by a two-thirds vote of the directors. Officers against whom written charges have been brought shall be entitled to the same notice and hearing rights as directors.

3. POWER OF OFFICERS

Each officer shall have, subject to these by-laws and art. 1434a, VATCS, in addition to the duties and powers specifically set forth herein, such powers and duties as are commonly incident to his office and such duties and powers as the board of directors shall from time to time designate. All officers shall perform their duties subject to the directions and under the supervision of the board of directors. The president may secure the fidelity of any and all officers by bond or otherwise.

4. PRESIDENT

The president shall be the chief executive officer of the Corporation. He shall preside at all meetings of the directors and members. He shall see that all orders and resolutions of the board are carried out, subject however, to the right of the directors to delegate specific powers, except such as may be by statute exclusively conferred in the president, to any other officers of the Corporation.

He or any vice-president shall execute bonds, mortgages and other instruments requiring a seal, in the name of the Corporation, and, when authorized by the board, he or any vice-president may affix the seal to any instrument requiring the same, and the seal when so affixed shall be attested by the signature of either the secretary or an assistant secretary. He or the secretary-treasurer shall sign certificates of membership.

The president shall be ex-officio a member of all standing committees.

He shall submit a report of the operations of the Corporation for the year to the directors at their meeting next preceding the annual meeting of the members and to the members at their annual meeting.

5. VICE-PRESIDENT

The vice-president shall, in the absence or disability of the president, perform the duties and exercise the powers of the president, and he shall perform such other duties as the board of directors shall prescribe.

6. THE SECRETARY-TREASURER AND ASSISTANT SECRETARIES-TREASURER

The secretary-treasurer shall attend all meeting of the board and all meetings of the members and shall record all votes and the minutes of all proceedings and shall perform like duties for the standing committees when required. He shall give or cause to be given notice of all meetings of the members and all meetings of the board of directors and shall perform such other duties as may be prescribed by the board. He shall keep in safe custody the seal of the Corporation, and when authorized by the board, affix the same to any instrument requiring it, and when so affixed, it shall be attested by his signature or by the signature of an assistant secretary-treasurer.

The secretary-treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the board of directors.

The secretary-treasurer shall disburse the funds of the Corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements. He shall keep and maintain the Corporation's books of account and shall render to the president and directors an account of all of his transactions as treasurer and of the financial condition of the Corporation and exhibit his books, records and accounts to the president or directors at any time. He shall disburse funds for capital expenditures as authorized by the board of directors and in accordance with the orders of the president, and present to the president for his attention any requests for disbursing funds if in the judgment of the secretary-treasurer any such request is not properly authorized. He shall perform such other duties as may be directed by the board of directors or by the president.

If required by the board of directors, he shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

The assistant secretary-treasurer shall, in the absence or disability of the secretary-treasurer, perform the duties and exercise the powers of the secretary-treasurer, and he shall perform such other duties as the board of directors shall prescribe.

In the absence of the secretary-treasurer or an assistant secretary-treasurer, the minutes of all meetings of the board and members shall be recorded by such person as shall be designated by the president or by the board of directors.

7. GENERAL MANAGER

a. The Corporation shall not be required to have a general manager; however, the business of the Corporation may be handled under the direction of the board of directors, by a general manger to be elected by a majority vote of the board. The general manager shall be employed at a salary to be fixed by the board of directors. The general manager shall perform such duties and for such term or office as shall be fixed by majority vote of the board of directors.

b. The general manger shall not have authority to expend the funds of the Corporation in excess of \$10,000.00 per expenditure without prior approval of the board of directors.

c. The general manger shall not have authority to sell or dispose of the assets of the Corporation in excess of \$5,000.00 without prior approval of the board of directors.

8. COMPENSATION

The Corporation shall not be obligated to pay salaries to any officer; however, if approved by the board of directors, salaries of all officers of the Corporation, except the secretary-treasurer and general manager, shall not exceed \$5000.00 per annum. The salary of the secretary-treasurer shall be fixed by the board of directors at a sum commensurate with the duties required of him.

9. CONFLICT OF INTEREST

An officer shall not be prohibited from providing goods or services to the Corporation at competitive prices by reason of their office. An officer has an affirmative duty to exercise reasonable due diligence to investigate and disclose to the board of directors any real or apparent conflicts of interests or pecuniary interests (s)he may have on a matter affecting the Corporation or its members.

10. GOOD FAITH RELIANCE

In conducting their duties as officers, each officer (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 of 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, registered engineers, 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 and with ordinary care on information, opinions, reports or statements by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said officer reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, an officer must disclose any knowledge which (s)he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE 10 - CERTIFICATES OF MEMBERSHIP, ETC.

1. CERTIFICATES OF MEMBERSHIP

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. Notwithstanding the personalty characterization of memberships, memberships may be conditioned upon or tied to ownership in realty property in the area served as may be provided by Texas law.

The certificates for memberships of membership of the Corporation shall be numbered and shall be entered in the Corporation as they are issued. They shall exhibit the holder's name and shall be signed by the president or secretary-treasurer and shall be sealed with the seal of the Corporation or a facsimile thereof. In case any officer or officers who shall have signed or whose facsimile signature or signatures shall have been used on any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before said certificate or certificates shall have been issued, such certificate may nevertheless be issued by the Corporation with the same effect as though the person or persons who signed such certificates or whose facsimile signature or signatures shall have been used thereon had been such officer or officers at the date of its issuance. Certificates shall be in such form as shall in conformity to law prescribed from time to time by the board of directors.

The Corporation may appoint from time to time agents and registrars, who shall perform their duties under the supervision of the secretary-treasurer.

2. TERMINATION OF MEMBERSHIPS

Membership in the Corporation may be tied to fee simple ownership to property within the Corporation's utility service area; however, a fee simple owner of real property within the

utility service area may hold a membership so that tenants or occupants of his property may receive utility service from the Corporation. Non-fee simple title holders who take utility service from the Corporation may hold memberships in their own names, which memberships shall not be tied to real property. The membership rights of any subscriber to utility service from the Corporation shall automatically terminate upon the occurrence of any event or change of circumstances which would disqualify the person from membership as provided by these bylaws, including but not limited to, the sale of the membership real property to which his membership is tied.

Memberships in the corporation may be transferred as provided by art. 1434a, Section 9A, VATCS, as amended, except no membership may be transferred until all monies owed the corporation by the member and/or person obtaining service through such membership have been paid in full.

The board of directors may cancel the membership associated with any utility service account which has an unpaid balance for a period of more than sixty days after the original due date. In the event of such cancelation, the membership fee associated with such membership shall be forfeited to the corporation without prejudice to the corporation's right to pursue such additional collection remedies which may exist at law or in equity. In the event a membership is cancelled for such delinquency, utility service shall not be restored to the service connection associated with such membership until a new membership has been applied for and the current membership fee paid. The applicant for restored service must also comply with all other customary conditions precedent to receiving utility service including, but not limited to, paying customary reconnection or tap fees.

3. TRANSFER OF MEMBERSHIP

(a) A person who owns a membership in the Corporation may not sell or transfer that membership to another person or entity except:

(1) by will to a transferee who is a person related to the testator within the second degree of consanguinity;

(2) by transfer without compensation to a transferee who is a person related to the owner of the membership within the second degree of 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 to another person as part of the conveyance of real estate from which the membership arose. In such cases the transferee must still qualify for membership as provided herein and pay all applicable membership fees.

(c) The transfer of membership 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.

(d) The Corporation may, consistent with the limitations prescribed by subsection (a) of this section, reassign a canceled membership to any person or entity that has legal title to the real estate from which the canceled membership arose and for which water or sewer service is requested, subject to compliance with the conditions for water or sewer service in the Corporation's published rates, charges, and conditions of service.

4. REGISTERED MEMBERS

The Corporation shall be entitled to treat the holder of record of any membership or certificate of membership as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such membership on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

5. LOST CERTIFICATE

The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost. When authorizing such issue of a new certificate or certificates, the board of directors in its discretion and as a condition precedent to the issuance thereof, may require the owner of such lost or destroyed certificate or certificates or his legal representative to advertise the same in such manner as it shall require to give the Corporation a bond with surety and in form satisfactory to the Corporation (which bond shall also name the Corporation's agents and registrars, if any, as obligees) in such sum as it may direct as indemnity against any claim that may be made against the Corporation or other obligees with respect to the certificate alleged to have been lost or destroyed, or to advertise and also give such bond.

6. MEMBERSHIP FEES

All persons lawfully receiving or applying to receive public utility service from the Corporation shall pay a membership fee of \$350.00 as a condition precedent to lawfully receiving utility service. The board of directors shall establish reasonable deferred payment policies for the payment of membership fees by any other service applicant upon whom a one time payment of the entire membership fee shall work a financial hardship. Such policies shall be consistent in application on each person without regard to citizenship, race, sex, color, creed, national origin or other protected status under state or

federal law. All applicants for restored service whose memberships have been forfeited to the Corporation shall pay a membership fee of \$350.00 in addition to any applicable reconnection charges. All transferees of memberships as provided by these bylaws shall pay a membership fee of \$350.00. A membership fee and service application shall be required for each service connection requested regardless of whether the applicant already holds a membership. Membership fees will be refundable at the time the service customer leaves the system unless the customer has any unpaid debts or obligations to the Corporation; in which case such membership fees as the customer may have on deposit with the Corporation shall be applied to the customer's debts to the Corporation, without prejudice to the Corporation's right to pursue other legal remedies existing at law or in equity.

ARTICLE 11 - DEPOSITORY

The Board of Directors shall select as depository for the funds of the Corporation, a bank within the State of Texas which is insured with the Federal Deposit Insurance Corporation and shall require of said depository such bond as the Board deems necessary for the protection of the Corporation; and such funds as the Board of Directors may from time to time allocate to a sinking fund for replacement, amortization of debts and the payment of interest which shall not be required to be expended within the year in which the same is deposited shall be invested in bonds or other evidence of indebtedness of the United States of America or deposited at interest with the Federal Deposit Insurance Corporation in a savings account.

ARTICLE 12 - MISCELLANEOUS

1. INFORMAL ACTION

No action required to be taken or which may be taken at a meeting of the members, directors or members of committees, may be taken without a meeting. All actions and votes taken shall be duly recorded in the books and records of the Corporation.

2. SEAL

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal of Windermere Oaks Water Supply Corporation".

3. BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, Board of Directors, and committees

having the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by any member or his agent or attorney for any proper purpose at any reasonable time when so requested in writing.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by the Texas Open Records Act, Texas Government Code, Sections 552.001 et seq., 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 reasonable charge for the preparation of copies.

In the event of any conflict between the provision of the Open Records Act and the provisions of these Bylaws, the provisions of the Open Records Act shall prevail.

4. CHECKS

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

5. FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of January in each and every year.

6. DIRECTORS' ANNUAL STATEMENT

The board of directors shall present at each annual meeting of members a full and clear statement of the business and condition of the Corporation.

8. AMENDMENTS

These by-laws may be altered, amended or repealed in whole or in part by the affirmative vote of a majority of the board of directors. No amendment of these bylaws affecting memberships, the voting rights of members, or the number of directors may be made without a majority vote of a quorum of members.

For so long as the Corporation is indebted for a loan or loans made by or through the Texas Water Development Board, USDA Rural Development, their successor agencies, these by-laws shall not be altered, amended or repealed without the prior written consent

of the General Fund Manager (or equivalent designated agency representative) of the Texas Water Development Board, USDA Rural Development, their successor agencies. If the Corporation becomes indebted to another state or federal financial institution and said creditor requires similar limitations on the amendment of these by-laws as a condition precedent to necessary debt financing, amendment of these by-laws shall be restricted as set forth in the loan agreement.


9. OBLIGATIONS INCIDENTAL TO INDEBTEDNESS

The board of directors may establish and operate such financial reserves, sinking funds, or debt service accounts as may be reasonably necessary to comply with loan or bond covenants entered into between the Corporation and its creditors.

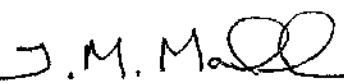
Subject to such restrictions as may exist under the laws of Texas or of the United States, the board of directors may encumber the assets of the Corporation by reasonable liens or security interests as provided by the loan or bond covenants entered into between the Corporation and its creditors. When encumbered, the assets of the Corporation may not be sold, conveyed or disposed of without notice to and permission from the creditor holding such liens or security interests as provided in the loan or bond covenants, except as may otherwise be provided by law and/or the sale and distribution of potable water in the ordinary course of business.

Should the Corporation become indebted to the Texas Water Development Board or other state or federal financial institution and such indebtedness is evidenced by bonds or loans, the board of directors shall be expressly empowered to adopt such standard and customary water supply or sewer service corporation bond or loan resolutions as may be required by the Texas Water Development Board or other state or federal financial institution as a condition of such indebtedness.

Amendments approved in manner prescribed by law on the 25th day of September, 20 14 and are so certified by our authorized signatures below:



 President
 PAT MULLIGAN
 Attest:



 Secretary/Treasurer
 T. M. MADDEN

BY-LAWS
OF
WINDERMERE OAKS WATER SUPPLY CORPORATION

ARTICLE 1 - NAME

The name of the Corporation is Windermere Oaks Water Supply Corporation.

ARTICLE 2 - NONPROFIT CORPORATION

The Corporation is a non-profit, member-owned, member controlled water supply and sewer service corporation incorporated under the provisions and definitions of TEX. REV. CIV. STAT. ANN. art. 1434a (now Texas Water Code Chapter 67) and the Texas Non-Profit Business Corporation Act. The Corporation shall have members. The members shall elect the governing Board of Directors. The Corporation shall be subject to the Texas Open Meetings Act, Gov't Code Chapter 551 and the Texas Public Information Act, Gov't Code Chapter 552.

ARTICLE 3 - PURPOSES

The purpose of the Corporation is to furnish a water supply or sewer service, or both, to towns, cities, private corporations, individuals, and military camps and bases, and for the purpose of providing a flood control and drainage system for towns, cities, counties, other political subdivisions, private corporations, individuals, and other persons.

ARTICLE 4 - POWERS

Except as otherwise provided in these bylaws, the Corporation's articles of incorporation or the laws of this state, the Corporation shall have all powers invested in a water supply or sewer service corporation by 1434a, the Texas Non-Profit Corporation Act, the Texas Water Code, and the administrative rules of the Texas Commission on Environmental Quality and its successor agency(ies), not inconsistent with Internal Revenue Code Section 501(c)(12)(A) and related federal regulations, rulings, and procedures.

ARTICLE 5 - RESTRICTIONS AND REQUIREMENTS

1. DIVIDENDS

No dividends shall ever be paid upon the memberships of the Corporation. No income of the Corporation may be distributed to members, directors, or officers in these roles. All profits arising from the operations of the business of the Corporation shall be annually paid out to cities, towns, counties, other political subdivisions, private corporations, and other persons who have during the past year transacted business with the Corporation, in direct proportion to the amount of business so 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 such sinking fund(s) such amount of profits as they deem necessary for maintenance, upkeep, operation, and replacements.

2. TRANSFER OF ASSETS UPON DISSOLUTION

Upon discontinuance of the Corporation by dissolution or otherwise, all residual assets of the Corporation remaining after payment of the lawful indebtedness of the Corporation or return of excess profits to members shall be distributed among the members and former members in direct proportion to the amount of their patronage with the Corporation insofar as practical. Any indebtedness due the Corporation by a member for water/sewer service or otherwise shall be deducted from such member's share before final distribution. By application for and acceptance of membership in the Corporation, each member agrees that, upon discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that member shall be in turn immediately transferred by that individual member to an entity that provides a water supply or sewer service, 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 irrevocable power of attorney 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.

3. LIMITATION ON ACTIVITIES

The Corporation shall have no power to engage in activities or use its assets in a manner that are not in furtherance of the legitimate business of a water supply cooperative or sewer service cooperative as recognized by 1434a and Internal Revenue Code 501(c)(12)(A).

ARTICLE 6 - OFFICES

1. REGISTERED OFFICE AND AGENT

The registered office of the Corporation shall be maintained at 424 Coventry Road, Spicewood, Texas 78669-3119 in the State of Texas. The registered agent shall be the duly elected President. The registered office or the registered agent, or both, may be changed by resolution of the board of directors, upon filing the statement required by law.

2. PRINCIPAL OFFICE

The principal office of the Corporation shall be at 424 Coventry Road, Spicewood, Texas 78669-3119 provided that the board of directors shall have the power to change the location of the principal office in its discretion.

3. OTHER OFFICES

The Corporation may also maintain other offices at such places within or without the State of Texas as the board of directors may from time to time appoint or as the business of the Corporation may require.

ARTICLE 7 - MEMBERS

1. PLACE OF MEETING

All meetings of members shall be held either at the registered office of the Corporation in Texas or at such other places, either within or without the state, as shall be designated in the notice of the meeting.

2. ANNUAL MEETING

The annual meeting of members for the election of directors and for the transaction of all other business which may come before the meeting shall be held per Sec. 67.007 of the Texas Water Code between January 1 and May 1 at a time specified by the board. The Corporation may hold other special meetings of the members for the purpose of conducting an election on an issue that requires a vote of the membership or for another purpose.

A members meeting (annual or special) may be called by resolution of the board of directors, the president, or by a writing filed with the secretary signed either by a majority of the directors or by members owning a majority of memberships in the Corporation and entitled to vote at any such meeting.

3. NOTICE OF MEMBERS' MEETING

Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the president, secretary or the officer or person calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the membership books of the Corporation, with postage thereon prepaid.

4. MEMBERSHIPS AND VOTING OF MEMBERSHIPS

The Corporation shall have one class of 'members', which shall be defined by Texas Water Code, Section 13.002(11), as it may be amended.

All customers of the Corporation must hold a membership unless otherwise exempted by law.

Each member shall be entitled to only one vote on each matter submitted to a vote at a meeting of members regardless of the number of memberships held by that member.

A member may vote either in person or ballot mailed or delivered to the Corporation prior to the meeting in the manner and within the deadlines prescribed in the meeting notice.

No member shall be eligible to participate in any vote of the membership if that member has an outstanding utility account balance owed to the Corporation for utility services rendered, membership fees, or authorized fees if said debt has been delinquent for a period of not less than sixty (60) days prior to the date of such election or vote.

5. CLOSING TRANSFER BOOKS AND FIXING RECORD DATE

For the purpose of determining members entitled to notice of or to vote at any meeting of members or any adjournment thereof or in order to make a determination of members for any other proper purpose, the board of directors may provide that the membership transfer books shall be closed for a stated period not exceeding thirty (30) days. If the membership books shall be closed for the purpose of determining members, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the membership books, the by-laws or in the absence of an applicable by-law, the board of directors, may fix in advance a date as the record date for any such determination of members, not later than thirty (30) days and, in case of a meeting of members, not earlier than ten (10) days prior to the date on which the particular action, requiring such determination of members is to be taken. If the membership books are not closed and no record date is fixed for the determination of members entitled to notice of or

to vote at a meeting of members, the date on which notice of the meeting is mailed or the date on which the resolution of the board of directors declaring such election is adopted, as the case may be, shall be the record date for such determination of members. When a determination of members entitled to vote at any meeting of members had been made as provided in this section, such determination shall apply to any adjournment thereof, except where the determination has been made through the closing of membership transfer books and the stated period of closing has expired.

6. QUORUM OF MEMBERS

A quorum for the transaction of business at a meeting of the members 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.

7. VOTING LISTS

The officer or agent having charge of the membership books for the memberships of the Corporation shall make, at least ten (10) days before each meeting of members, a complete list of the members entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of memberships held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting. The original membership books shall be prima facie evidence as to who are the members entitled to examine such list or books or to vote at any meeting of members.

ARTICLE 8 - DIRECTORS

1. BOARD OF DIRECTORS

The business and affairs of the Corporation shall be managed by a board of directors. Directors must be: (a) residents of the State of Texas, (b) utility customers of the Corporation and (c) members in the Corporation.

2. NUMBER OF DIRECTORS

The number of directors shall be five (5) provided that the number may be increased or decreased from time to time by an amendment to these by-laws, but no decrease shall have the effect of shortening the term of any incumbent director. The number of directors may never exceed twenty-one (21).

There shall be two sets of directors, each serving two year terms expiring on alternate years except as provided herein. Each set of directors shall have relatively the same number of directors.

The Corporation shall have three initial directors for purposes of incorporating the Corporation and directing its affairs until the election of the first elected directors at the first annual meeting of members. All directorships shall be open for election at the first annual membership meeting. Four of the directorships shall be for terms of two years; Three directorship shall be for terms of one year. The length of the terms for the first elected directors shall be determined by lot. Thereafter, all directorships shall be for two year terms expiring on alternating years.

3. QUALIFICATIONS FOR ELECTION OR APPOINTMENT AS DIRECTOR.

(a) To be qualified for election or appointment as a director, a person must be:

- (1) 18 years of age or older on the first day of the term to be filled at the election or on the date of appointment, as applicable; and
- (2) a member or shareholder of the corporation.

(b) In addition to the qualifications prescribed by Subsection (a), a person is not qualified to serve as a director if the person:

- (1) has been determined by a final judgment of a court exercising probate jurisdiction to be:
 - (A) totally mentally incapacitated; or
 - (B) partially mentally incapacitated without the right to vote; or
- (2) has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.

(c) If the board determines that a person serving as a director does not have the qualifications prescribed by Subsections (a) and (b), the board shall, not later than the 60th day after the date the board makes that determination, remove the director and fill the vacancy by appointing a person who has the qualifications prescribed by those subsections.

4. BALLOT APPLICATION FOR ALL MEMBER ELECTIONS.

(a) To be listed on the ballot as a candidate for a director's position, a person must file an application with the corporation that includes:

- (1) the director's position sought, including any position number or other distinguishing number;
- (2) the person's written consent to serve, if elected;
- (3) biographical information about the person; and
- (4) a statement of the person's qualifications, including a statement that the person has the qualifications prescribed by Water Code Section 67.0051.

(b) The application must be filed with the corporation not later than the 45th day before the date of the annual meeting.

(c) The corporation shall make available director candidate application forms at the corporation's main office and shall provide application forms by mail or electronically on request.

5. BALLOT FOR ALL MEMBER ELECTIONS.

(a) Not later than the 30th day before the date of an annual meeting, the corporation shall mail to each member or shareholder of record:

- (1) written notice of the meeting;
- (2) the election ballot; and
- (3) a statement of each candidate's qualifications, including biographical information as provided in each candidate's application.

(b) The election ballot must include:

- (1) the number of directors to be elected; and
- (2) the names of the candidates for each position.

6. ELECTION PROCEDURES FOR ALL MEMBER ELECTIONS.

(a) A member or shareholder may vote:

- (1) in person at the annual meeting;
- (2) by mailing a completed ballot to the office of the independent election auditor or to the corporation's main office, which ballot must be received by

the corporation not later than noon on the business day before the date of the annual meeting; or

(3) by delivering a completed ballot to the office of the independent election auditor or to the corporation's main office not later than noon on the business day before the date of the annual meeting.

(b) The independent election auditor, appointed by majority vote of the Board of Directors, shall receive and count the ballots before the annual meeting is adjourned.

(c) For each director's position, the candidate who receives the highest number of votes is elected.

(d) If two or more candidates for the same position tie for the highest number of votes for that position, those candidates shall draw lots to determine who is elected.

(e) The independent election auditor shall provide the board with a written report of the election results.

(f) The board may adopt necessary rules or bylaws to implement this section, including rules or bylaws to ensure the fairness, integrity, and openness of the voting process.

7. OFFICIAL BALLOT.

The Board shall adopt an official ballot form to be used in conducting the business of the Corporation for any member election. No other ballot form will be valid. Ballots from members or shareholders are confidential and are exempted from disclosure by the corporation until after the date of the relevant election. Proxies shall not be used.

8 INDEPENDENT ELECTION AUDITOR.

The Board shall select an independent election auditor not later than the 30th day before the scheduled date of the annual meeting. 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:

(a) an employee;

(b) a director or candidate for director; or

(c) an independent contractor engaged by the corporation as part of the corporation's regular course of business.

9. VACANCIES

A director may resign at any time during his term. If a director is absent from three (3) or more consecutive regular meetings of which the director was sent mailed written notice, that director may be removed by two-thirds (2/3rds) vote of all other directors in special meeting. The director subject to removal for absenteeism must be sent written notice of the time, date, place, and purpose of such meeting by certified United States mail at least ten (10) days before the meeting.

A director may be removed majority vote of all members. Any member, officer or director may present charges in writing against a director with the Secretary/Treasurer of the Corporation. If presented by a member, the charges must be accompanied by a petition signed by at least ten (10%) percent of the members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the membership. The director(s) against whom such charges have been presented shall be informed in writing of the charges at least twenty days before the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel, to present witnesses and other evidence in rebuttal of such charges, and to question other witnesses. The person(s) bring such charges shall have the same rights. The president shall preside over the meeting unless (s)he is the subject of the charges, in which case the vice president shall preside. If both the president and vice president are the subject of the charges, the directors who are not subject to charges shall appoint a presiding officer by majority vote.

Any vacancy occurring in the board of directors may be filled by the affirmative vote of the remaining directors, though less than a quorum of the board. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual meeting or at a special meeting of members called for that purpose.

10. QUORUM OF DIRECTORS

A majority of the board of directors shall constitute a quorum for the transaction of business. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

11. ANNUAL MEETING OF THE DIRECTORS

Within thirty days after each annual meeting of members the board of directors elected at such meeting shall hold an annual meeting at which they shall elect officers and transact such other business as shall come before the meeting. Nothing in these bylaws or any

action of the board of directors shall prohibit the holding of the annual meeting of directors immediately following and at the same place as the annual meeting of members except the unavailability of all directors elected at the annual meeting; in which such case, the annual meeting of directors shall be held within thirty days.

12. REGULAR MEETING OF DIRECTORS

A regular meeting of the board of directors may be held at such a time as shall be determined from time to time by resolution of the board of directors.

13. SPECIAL MEETINGS OF DIRECTORS

The secretary shall call a special meeting of the board of directors whenever requested to do so by the president or by two directors. Such special meeting shall be held at the time specified in the notice of meeting.

14. PLACE OF DIRECTORS' MEETINGS

All meetings of the board of directors (annual, regular or special) shall be held either at the principal office of the Corporation or at such other place, either within or without the State of Texas, as shall be specified in the notice of meeting.

The board of directors shall provide access for the public, new service applicants, and/or members to all regular meetings of the board by setting aside time for hearing of suggestions, proposals, or grievances. Reasonable time limitations may be imposed on persons appearing to address the board on such matters.

15. NOTICE OF DIRECTORS' MEETINGS

Notice of regular or special meetings of the Board of Directors shall be given as required by law and shall include posting of the meeting as required by the Texas Open Meetings Act, Texas Government Code, Sections 551.001 et seq., by furnishing the notice to the county clerk or clerks of the county or counties in which the Corporation provides service, and by posting such notice in a place readily convenient to the public in its administrative office at all times at least seventy-two (72) hours preceding the scheduled time of the meeting. Such notice shall specify the date, hour, place and subject of each meeting held by the Board of Directors. In case of emergency or urgent public necessity, which shall be clearly identified in the notice, it shall be sufficient if the notice is posted four hours before the meeting is convened. Cases of emergency or urgent public necessity are limited to imminent threats to public health or safety or reasonably unforeseeable situations requiring immediate action by the Board. In the event of an emergency meeting, it shall be sufficient if notice is posted four hours before the meeting is convened, and the President or two or more Directors calling such emergency meeting shall, if the request therefor containing all pertinent information has previously been filed at the headquarters

of the Corporation, give notice by telephone or telegraph to any news media requesting such notice and consenting to pay any and all expenses incurred by the Corporation in providing such special notice. All such meetings shall then be conducted in the manner required by the Texas Open Meetings Act.

Unless waived in writing, each director must be given a copy of all meeting notices within no less than the time limits set forth above. Notice of annual and regular meetings must be given at least ten (10) days before the meeting. Notice to directors may be by regular mail or hand delivery.

16. ATTENDANCE AT MEETINGS

As all meetings of directors must be open to the public, unless otherwise allowed by the Texas Open Meetings Act for emergency situations, telephone or other similar meetings shall not be permitted. Directors must attend meetings in person.

17. COMPENSATION

Directors, as such, shall not receive any stated salary for their services, but by resolution of the board of directors, expenses of attendance, if any, may be allowed for attendance at each annual, regular or special meeting of the board, provided, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

18. CONFLICT OF INTEREST

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. A director shall not be prohibited from providing goods or services to the Corporation at competitive prices by reason of their directorship, but said director shall not be authorized to vote on any matter in which they may have a pecuniary interest except as a customer of the Corporation. A director has an affirmative duty to exercise reasonable due diligence to investigate and disclose any real or apparent conflicts of interests or pecuniary interests (s)he may have on a matter affecting the Corporation or its members.

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 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 act or omission for which liability of the director is expressly provided by Texas law.

19. GOOD FAITH RELIANCE

In conducting their duties as members of the board, each director (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 of 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, registered engineers, 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 and with ordinary care on information, opinions, reports or statements by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said director reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, a director must disclose any knowledge which (s)he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE 9 - OFFICERS

1. OFFICERS ELECTION

The officers of the Corporation shall consist of a president, a vice-president, and a secretary-treasurer. All such officers shall be elected at the annual meeting of the board of directors. Directors may be elected officers. If any office is not filled at such annual directors meeting, it may be filled at any subsequent regular or special meeting of the board. The board of directors at such annual meeting, or at any subsequent regular or special meeting may also elect or appoint such other officers and assistant officers and agents as may be deemed necessary. Any two or more offices may be held by the same person, except the offices of president and secretary-treasurer.

All officers and assistant officers shall be elected to serve until the next annual meeting of directors (following the next annual meeting of members) or until their successors are elected; provided, that any officer or assistant officer elected or appointed by the board of directors may be removed with or without cause at any regular or special meeting of the board whenever in the judgment of the board of directors the best interests of the

Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any agent appointed shall serve for such term, not longer than the next annual meeting of the board of directors, as shall be specified, subject to like right of removal by the board of directors.

2. VACANCIES

If any office becomes vacant for any reason, the vacancy may be filled by a majority vote of the board of directors.

Officers may resign.

Officers may be removed for good cause by the membership under the same procedures applying to directors.

Officers shall serve at the pleasure of the directors and may be removed at any time by a two-thirds vote of the directors. Officers against whom written charges have been brought shall be entitled to the same notice and hearing rights as directors.

3. POWER OF OFFICERS

Each officer shall have, subject to these by-laws and art. 1434a, VATCS, in addition to the duties and powers specifically set forth herein, such powers and duties as are commonly incident to his office and such duties and powers as the board of directors shall from time to time designate. All officers shall perform their duties subject to the directions and under the supervision of the board of directors. The president may secure the fidelity of any and all officers by bond or otherwise.

4. PRESIDENT

The president shall be the chief executive officer of the Corporation. He shall preside at all meetings of the directors and members. He shall see that all orders and resolutions of the board are carried out, subject however, to the right of the directors to delegate specific powers, except such as may be by statute exclusively conferred in the president, to any other officers of the Corporation.

He or any vice-president shall execute bonds, mortgages and other instruments requiring a seal, in the name of the Corporation, and, when authorized by the board, he or any vice-president may affix the seal to any instrument requiring the same, and the seal when so affixed shall be attested by the signature of either the secretary or an assistant secretary. He or the secretary-treasurer shall sign certificates of membership.

The president shall be ex-officio a member of all standing committees.

He shall submit a report of the operations of the Corporation for the year to the directors at their meeting next preceding the annual meeting of the members and to the members at their annual meeting.

5. VICE-PRESIDENT

The vice-president shall, in the absence or disability of the president, perform the duties and exercise the powers of the president, and he shall perform such other duties as the board of directors shall prescribe.

6. THE SECRETARY-TREASURER AND ASSISTANT SECRETARIES-TREASURER

The secretary-treasurer shall attend all meeting of the board and all meetings of the members and shall record all votes and the minutes of all proceedings and shall perform like duties for the standing committees when required. He shall give or cause to be given notice of all meetings of the members and all meetings of the board of directors and shall perform such other duties as may be prescribed by the board. He shall keep in safe custody the seal of the Corporation, and when authorized by the board, affix the same to any instrument requiring it, and when so affixed, it shall be attested by his signature or by the signature of an assistant secretary-treasurer.

The secretary-treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the board of directors.

The secretary-treasurer shall disburse the funds of the Corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements. He shall keep and maintain the Corporation's books of account and shall render to the president and directors an account of all of his transactions as treasurer and of the financial condition of the Corporation and exhibit his books, records and accounts to the president or directors at any time. He shall disburse funds for capital expenditures as authorized by the board of directors and in accordance with the orders of the president, and present to the president for his attention any requests for disbursing funds if in the judgment of the secretary-treasurer any such request is not properly authorized. He shall perform such other duties as may be directed by the board of directors or by the president.

If required by the board of directors, he shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

The assistant secretary-treasurer shall, in the absence or disability of the secretary-treasurer, perform the duties and exercise the powers of the secretary-treasurer, and he shall perform such other duties as the board of directors shall prescribe.

In the absence of the secretary-treasurer or an assistant secretary-treasurer, the minutes of all meetings of the board and members shall be recorded by such person as shall be designated by the president or by the board of directors.

7. GENERAL MANAGER

a. The Corporation shall not be required to have a general manager; however, the business of the Corporation may be handled under the direction of the board of directors, by a general manger to be elected by a majority vote of the board. The general manager shall be employed at a salary to be fixed by the board of directors. The general manager shall perform such duties and for such term or office as shall be fixed by majority vote of the board of directors.

b. The general manger shall not have authority to expend the funds of the Corporation in excess of \$10,000.00 per expenditure without prior approval of the board of directors.

c. The general manger shall not have authority to sell or dispose of the assets of the Corporation in excess of \$5,000.00 without prior approval of the board of directors.

8. COMPENSATION

The Corporation shall not be obligated to pay salaries to any officer; however, if approved by the board of directors, salaries of all officers of the Corporation, except the secretary-treasurer and general manager, shall not exceed \$5000.00 per annum. The salary of the secretary-treasurer shall be fixed by the board of directors at a sum commensurate with the duties required of him.

9. CONFLICT OF INTEREST

An officer shall not be prohibited from providing goods or services to the Corporation at competitive prices by reason of their office. An officer has an affirmative duty to exercise reasonable due diligence to investigate and disclose to the board of directors any real or apparent conflicts of interests or pecuniary interests (s)he may have on a matter affecting the Corporation or its members.

10. GOOD FAITH RELIANCE

In conducting their duties as officers, each officer (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 of 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, registered engineers, 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 and with ordinary care on information, opinions, reports or statements by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said officer reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, an officer must disclose any knowledge which (s)he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE 10 - CERTIFICATES OF MEMBERSHIP, ETC.

1. CERTIFICATES OF MEMBERSHIP

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. Notwithstanding the personalty characterization of memberships, memberships may be conditioned upon or tied to ownership in realty property in the area served as may be provided by Texas law.

The certificates for memberships of membership of the Corporation shall be numbered and shall be entered in the Corporation as they are issued. They shall exhibit the holder's name and shall be signed by the president or secretary-treasurer and shall be sealed with the seal of the Corporation or a facsimile thereof. In case any officer or officers who shall have signed or whose facsimile signature or signatures shall have been used on any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before said certificate or certificates shall have been issued, such certificate may nevertheless be issued by the Corporation with the same effect as though the person or persons who signed such certificates or whose facsimile signature or signatures shall have been used thereon had been such officer or officers at the date of its issuance. Certificates shall be in such form as shall in conformity to law prescribed from time to time by the board of directors.

The Corporation may appoint from time to time agents and registrars, who shall perform their duties under the supervision of the secretary-treasurer.

2. TERMINATION OF MEMBERSHIPS

Membership in the Corporation may be tied to fee simple ownership to property with the Corporation's utility service area; however, a fee simple owner of real property within the utility service area may hold a membership so that tenants or occupants of his property may receive utility service from the Corporation. Non-fee simple title holders who take utility service from the Corporation may hold memberships in their own names, which memberships shall not be tied to real property. The membership rights of any subscriber to utility service from the Corporation shall automatically terminate upon the occurrence of any event or change of circumstances which would disqualify the person from membership as provided by these bylaws, including but not limited to, the sale of the membership real property to which his membership is tied.

Memberships in the corporation may be transferred as provided by art. 1434a, Section 9A, VATCS, as amended, except no membership may be transferred until all monies owed the corporation by the member and/or person obtaining service through such membership have been paid in full.

The board of directors may cancel the membership associated with any utility service account which has an unpaid balance for a period of more than sixty days after the original due date. In the event of such cancelation, the membership fee associated with such membership shall be forfeited to the corporation without prejudice to the corporation's right to pursue such additional collection remedies which may exist at law or in equity. In the event a membership is cancelled for such delinquency, utility service shall not be restored to the service connection associated with such membership until a new membership has been applied for and the current membership fee paid. The applicant for restored service must also comply with all other customary conditions precedent to receiving utility service including, but not limited to, paying customary reconnection or tap fees.

3. TRANSFER OF MEMBERSHIP

(a) A person who owns a membership in the Corporation may not sell or transfer that membership to another person or entity except:

(1) by will to a transferee who is a person related to the testator within the second degree of consanguinity;

(2) by transfer without compensation to a transferee who is a person related to the owner of the membership within the second degree of 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 to another person as part of the conveyance of real estate from which the membership arose. In such cases the transferee must still qualify for membership as provided herein and pay all applicable membership fees.

(c) The transfer of membership 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.

(d) The Corporation may, consistent with the limitations prescribed by subsection (a) of this section, reassign a canceled membership to any person or entity that has legal title to the real estate from which the canceled membership arose and for which water or sewer service is requested, subject to compliance with the conditions for water or sewer service in the Corporation's published rates, charges, and conditions of service.

4. REGISTERED MEMBERS

The Corporation shall be entitled to treat the holder of record of any membership or certificate of membership as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such membership on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

5. LOST CERTIFICATE

The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost. When authorizing such issue of a new certificate or certificates, the board of directors in its discretion and as a condition precedent to the issuance thereof, may require the owner of such lost or destroyed certificate or certificates or his legal representative to advertise the same in such manner as it shall require to give the Corporation a bond with surety and in form satisfactory to the Corporation (which bond shall also name the Corporation's agents and registrars, if any, as obligees) in such sum as it may direct as indemnity against any claim that may be made against the Corporation or other obligees with respect to the certificate alleged to have been lost or destroyed, or to advertise and also give such bond.

6. MEMBERSHIP FEES

All persons lawfully receiving or applying to receive public utility service from the Corporation shall pay a membership fee as a condition precedent to lawfully receiving utility service. The board of directors shall establish reasonable deferred payment policies for the payment of membership fees by any other service applicant upon whom a one time payment of the entire membership fee shall work a financial hardship. Such policies shall be consistent in application on each person without regard to citizenship, race, sex, color, creed, national origin or other protected status under state or federal law. All applicants for restored service whose memberships have been forfeited to the Corporation shall pay a membership fee in addition to any applicable reconnection charges. All transferees of memberships as provided by these bylaws shall pay a membership fee. A membership fee and service application shall be required for each service connection requested regardless of whether the applicant already holds a membership. Membership fees will be refundable at the time the service customer leaves the system unless the customer has any unpaid debts or obligations to the Corporation; in which case such membership fees as the customer may have on deposit with the Corporation shall be applied to the customer's debts to the Corporation, without prejudice to the Corporation's right to pursue other legal remedies existing at law or in equity.

ARTICLE 11 - DEPOSITORY

The Board of Directors shall select as depository for the funds of the Corporation, a bank within the State of Texas which is insured with the Federal Deposit Insurance Corporation and shall require of said depository such bond as the Board deems necessary for the protection of the Corporation; and such funds as the Board of Directors may from time to time allocate to a sinking fund for replacement, amortization of debts and the payment of interest which shall not be required to be expended within the year in which the same is deposited shall be invested in bonds or other evidence of indebtedness of the United States of America or deposited at interest with the Federal Deposit Insurance Corporation in a savings account.

ARTICLE 12 - MISCELLANEOUS

1. INFORMAL ACTION

No action required to be taken or which may be taken at a meeting of the members, directors or members of committees, may be taken without a meeting. All actions and votes taken shall be duly recorded in the books and records of the Corporation.

2. SEAL

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal of Windermere Oaks Water Supply Corporation".

3. BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, Board of Directors, and committees having the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by any member or his agent or attorney for any proper purpose at any reasonable time when so requested in writing.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by the Texas Open Records Act, Texas Government Code, Sections 552.001 et seq., 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 reasonable charge for the preparation of copies.

In the event of any conflict between the provision of the Open Records Act and the provisions of these Bylaws, the provisions of the Open Records Act shall prevail.

4. CHECKS

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

5. FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of January in each and every year.

6. DIRECTORS' ANNUAL STATEMENT

The board of directors shall present at each annual meeting of members a full and clear statement of the business and condition of the Corporation.

7. AMENDMENTS

These by-laws may be altered, amended or repealed in whole or in part by the affirmative vote of a majority of the board of directors. No amendment of these bylaws affecting memberships, the voting rights of members, or the number of directors may be made without a majority vote of a quorum of members.

For so long as the Corporation is indebted for a loan or loans made by or through the Texas Water Development Board, USDA Rural Development, their successor agencies, these by-laws shall not be altered, amended or repealed without the prior written consent

of the General Fund Manager (or equivalent designated agency representative) of the Texas Water Development Board, USDA Rural Development, their successor agencies. If the Corporation becomes indebted to another state or federal financial institution and said creditor requires similar limitations on the amendment of these by-laws as a condition precedent to necessary debt financing, amendment of these by-laws shall be restricted as set forth in the loan agreement.

8. OBLIGATIONS INCIDENTAL TO INDEBTEDNESS

The board of directors may establish and operate such financial reserves, sinking funds, or debt service accounts as may be reasonably necessary to comply with loan or bond covenants entered into between the Corporation and its creditors.

Subject to such restrictions as may exist under the laws of Texas or of the United States, the board of directors may encumber the assets of the Corporation by reasonable liens or security interests as provided by the loan or bond covenants entered into between the Corporation and its creditors. When encumbered, the assets of the Corporation may not be sold, conveyed or disposed of without notice to and permission from the creditor holding such liens or security interests as provided in the loan or bond covenants, except as may otherwise be provided by law and/or the sale and distribution of potable water in the ordinary course of business.

Should the Corporation become indebted to the Texas Water Development Board or other state or federal financial institution and such indebtedness is evidenced by bonds or loans, the board of directors shall be expressly empowered to adopt such standard and customary water supply or sewer service corporation bond or loan resolutions as may be required by the Texas Water Development Board or other state or federal financial institution as a condition of such indebtedness.

Amendments approved in manner prescribed by law on the 18st day of November, 2021 and are so certified by our authorized signatures below:



Patricia Gerino, Vice President

Attest:



Mike Nelson, Secretary/Treasurer



The State of Texas
Secretary of State

CERTIFICATE OF INCORPORATION

OF

WINDEMERE OAKS WATER SUPPLY CORPORATION
CHARTER NUMBER 01377008

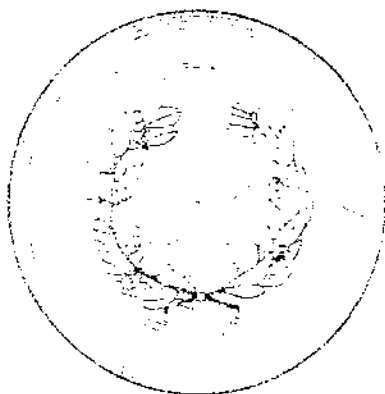
THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT THE ATTACHED ARTICLES OF INCORPORATION FOR THE
ABOVE NAMED CORPORATION HAVE BEEN RECEIVED IN THIS OFFICE AND ARE
FOUND TO CONFORM TO LAW.

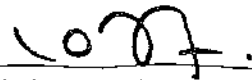
ACCORDINGLY, THE UNDERSIGNED, AS SECRETARY OF STATE, AND BY VIRTUE
OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES THIS
CERTIFICATE OF INCORPORATION.

ISSUANCE OF THIS CERTIFICATE OF INCORPORATION DOES NOT AUTHORIZE
THE USE OF A CORPORATE NAME IN THIS STATE IN VIOLATION OF THE RIGHTS OF
ANOTHER UNDER THE FEDERAL TRADEMARK ACT OF 1946, THE TEXAS TRADEMARK LAW,
THE ASSUMED BUSINESS OR PROFESSIONAL NAME ACT OR THE COMMON LAW.

DATED NOV. 9, 1995

EFFECTIVE NOV. 9, 1995




Antonio O. Garza, Jr., Secretary of State

ARTICLES OF INCORPORATION OF
WINDEMERE OAKS WATER SUPPLY CORPORATION

Exhibit C
FILED
the Office of the
Secretary of State of Texas
NOV 09 1995
CORPORATIONS SECTION

These Articles of Incorporation are adopted pursuant to the provisions of the Texas Non-profit Corporations Act, TEX. REV. CIV. STAT. ANN. art. 1396-1.01, et seq. ("Act") and art. 1434a, TEX. REV. CIV. STAT. ANN.

ARTICLE 1 - NAME

The name of the corporation is Windemere Oaks Water Supply Corporation.

ARTICLE 2 - NONPROFIT CORPORATION

The Corporation is a non-profit, member-owned, member controlled water supply and sewer service corporation incorporated under the provisions and definitions of TEX. REV. CIV. STAT. ANN. art. 1434a ("1434a"), as amended from time to time, the Act where not inconsistent with 1434a, and Section 13.002 of the Texas Water Code, as amended from time to time.

ARTICLE 3 - DURATION

The period of duration is perpetual.

ARTICLE 4 - PURPOSES

The purpose of the Corporation is to furnish a water supply or sewer service, or both, to towns, cities, private corporations, individuals, and military camps and bases, and for the purpose of providing a flood control and drainage system for towns, cities, counties, other political subdivisions, private corporations, individuals, and other persons.

ARTICLE 5 - POWERS

Except as otherwise provided in these Articles, the Corporation shall have all powers invested in a water supply or sewer service corporation by 1434a, the Act, the Texas Water Code, and the administrative rules of the Texas Natural Resource Conservation Commission and its successor agency(ies), not inconsistent with Internal Revenue Code Section 501(c)(12)(A) and related federal regulations, rulings, and procedures.

ARTICLE 6 - RESTRICTIONS AND REQUIREMENTS

No dividends shall ever be paid upon the memberships of the Corporation. No income of the Corporation may be distributed to members, directors, or officers in these roles. All profits arising from the operations of the business of the Corporation shall be annually paid out to cities, towns, counties, other political subdivisions, private corporations, and other persons who have during the past year transacted business with the Corporation, in direct proportion to the amount of business so 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 such sinking fund(s) such amount of profits as they deem necessary for maintenance, upkeep, operation, and replacements.

The Corporation shall have no power to engage in activities or use its assets in a manner that are not in furtherance of the legitimate business of a water supply cooperative or sewer service cooperative as recognized by 1434a and Internal Revenue Code 501(c)(12)(A).

ARTICLE 7 - MEMBERS AND CONTROL

The Corporation shall have one class of "members" which shall be defined by Texas Water Code, Section 13.002(11). All customers of the corporation must be members unless exempt by law.

A person is entitled to one vote in any Corporation election regardless of the number of memberships the person owns.

ARTICLE 8 - INITIAL REGISTERED OFFICE AND AGENT

The street address of the initial registered office of the Corporation is 379 Derby Lane, Spicewood, Burnet County, Texas 78669.

The name of the initial registered agent whose business address is the same as the Corporation's registered office's address is Charles Threat.

ARTICLE 9 - BOARD OF DIRECTORS

The affairs of the Corporation shall be managed by a Board of Directors elected by members beginning with the first annual meeting. The qualifications, manner of selection, duties, terms, and other matters relating to the Board of Directors shall be provided in the bylaws. The number of directors may be increased or decreased by amendment to the bylaws but there shall never be more than twenty-one (21) members of the Board of Directors unless otherwise allowed by 1434a.

The number of initial directors who shall govern the corporation until the first annual meeting are three (3) and their names and addresses are:

- | | |
|-------------------|---|
| 1. Charles Threat | 379 Derby Lane
Spicewood, Texas 78669 |
| 2. Arthur Alworth | 7 Kendal
Spicewood, Texas 78669
Marble Falls, Texas 78654 |
| 3. Robert Wynne | 19 Briar Hill
Houston, Texas 77042 |

ARTICLE 10 - INCORPORATORS

The number of incorporators are three (3) and their names and addresses are:

- | | |
|----------------|---|
| 1. Mark Zeppa | 6101 W. Courtyard Dr., Ste 221
Austin, Texas 78730 |
| 2. Sue Nielsen | 6101 W. Courtyard Dr., Ste 221
Austin, Texas 78730 |
| 3. Jon Ellis | 6101 W. Courtyard Dr., Ste 221
Austin, Texas 78730 |

IN WITNESS WHEREOF, we have hereunto set our hands on
this 9th day of November, 1995.


Incorporator


Incorporator

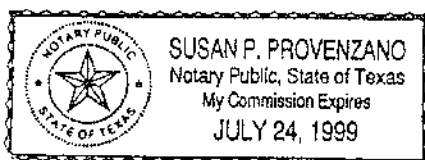

Incorporator

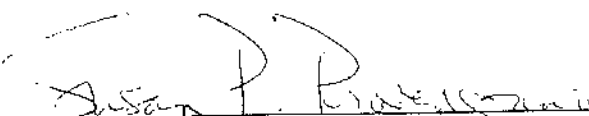
THE STATE OF TEXAS)
)
COUNTY OF TRAVIS)

I, the undersigned notary public, do hereby certify
that on this day Mark Zeppa, Sue Nielsen, and Jon Ellis
personally appeared before me and who being by me duly
sworn, declared that they are the persons who signed the
foregoing document as incorporators and that the statements
therein contained are true.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 9th day of
November, 1995.

seal




Susan P. Provenzano
Notary Public in and for
the State of Texas

Commission Expires: 07-24-99



The State of Texas

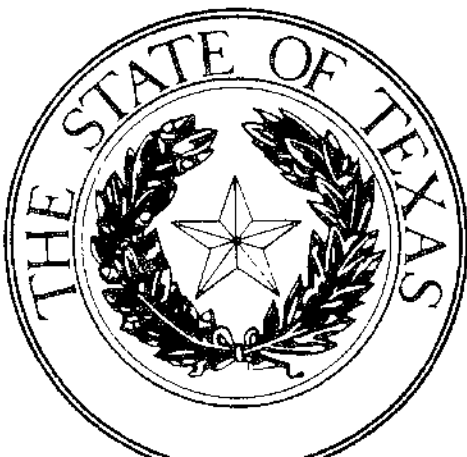
SECRETARY OF STATE CERTIFICATE OF AMENDMENT OF

WINDERMERE OAKS WATER SUPPLY CORPORATION
FORMERLY:
WINDEMERE OAKS WATER SUPPLY CORPORATION

The undersigned, as Secretary of State of Texas, hereby certifies that Articles of Amendment to the Articles of Incorporation of the above corporation duly executed pursuant to the provisions of the Texas Non-Profit Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as Secretary of State, and by virtue of the authority vested in the Secretary by law, hereby issues this Certificate of Amendment to the Articles of Incorporation and attaches hereto a copy of the Articles of Amendment.

Dated: January 5, 1996



1087.

dln

Antonio O. Garza, Jr.

JAN 05 1996

Corporations Section

FIRST ARTICLE OF AMENDMENT TO THE
ARTICLES OF INCORPORATION OF
WINDEMERE OAKS WATER SUPPLY CORPORATION

Pursuant to the provisions of Articles 1396-4.01 through 1396-4.05 of the Texas Non-profit Corporation Act, the undersigned corporation adopts the following First Article of Amendment to its Articles of Incorporation:

ARTICLE ONE

The original name of the corporation is Windemere Oaks Water Supply Corporation.

ARTICLE TWO

The following amendment to the Articles of Incorporation was adopted by a majority of all directors at the initial meeting of the directors on January 3, 1996, a time at which there were no members of the corporation, for the purpose of correcting a misspelling in the name of the corporation so that it would match the proper selling of the names of those subdivisions constituting the majority of the corporation's proposed public utility service area:

1. This amendment alters Article 1 - NAME of the original Articles of Incorporation to read as follows:

"The name of the corporation is Windermere Oaks Water Supply Corporation."

DATED: January 5, 1996.

WINDEMERE OAKS WATER SUPPLY
CORPORATION

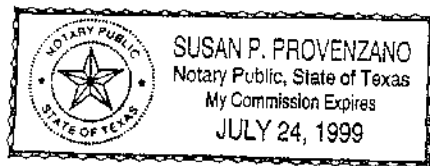
By: 


Mark H. Zeppa, General Counsel
Officer of the Corporation

STATE OF TEXAS

COUNTY OF TRAVIS

On the 5th day of January, 1996, Mark H. Zeppa, known to me, did appear and having been placed under oath did state that he was the General Counsel of Windemere Oaks Water Supply Corporation, an officer duly elected by a majority of the board of directors, and that the foregoing amendment to the corporation's articles of incorporation was adopted by majority vote of the directors and that the other facts recited above are true and correct in witness of which I place my hand and seal of office.




Susan P. Provenzano
Notary Public in and for the
State of Texas
Commission expires: 7-24-99

TARIFF

FOR

Windermere Oaks Water Supply Corporation

424 Coventry Road
Spicewood, Texas 78669

Approved: February 11, 2020

Table of Contents

SECTION A. RESOLUTIONS	5
SECTION B. STATEMENTS	6
SECTION C. DEFINITIONS	9
SECTION D. GEOGRAPHIC AREA SERVED	13
SECTION E. SERVICE RULES AND REGULATIONS	15
1. Service Entitlement	15
2. Service Location and Classification.....	15
3. Service Requirements.....	15
4. Line Extension Reimbursement	16
5. Ownership of equipment	16
6. Requirements for Mandatory Sewer Connection	16
7. Activation of Standard Service	17
8. Activation of Non-Standard Service.....	17
9. Changes in Service Classification.....	17
10. Membership.....	18
11. Owners and Renters	21
12. Denial of Service.....	21
13. Applicant's or Transferee's Recourse.....	22
14. Insufficient Grounds for Refusal of Service.....	22
15. Charge Distribution and Payment Application.....	22
16. Due Dates, Delinquent Bills, and Service Disconnection Date	23
17. Rules for Disconnection of Service.....	23
18. Billing Cycle Changes	27
19. Back-billing.....	27
20. Disputed Bills.....	28
21. Inoperative Meters.....	28
22. Bill Adjustment	28
23. Meter Tampering and Damage to Property	28
24. Meter Relocation	29
25. Prohibition of Multiple Connections To A Single Tap	29
26. Master Metered Account Regulations.....	31
27. Member's Responsibility.....	31
SECTION F. DEVELOPER, SUBDIVISION AND NON-STANDARD SERVICE REQUIREMENTS	344
Part I. General Requirements.....	34
1. Purpose.....	34
2. Application of Rules	34
3. Non-Standard Service Application	34
4. Design	35
5. Non-Standard Service Contract	36
6. Construction of Facilities by Applicant Prior to Execution of Service Contract.....	36
7. Dedication of Water System Extension to WSC.....	37
8. Property and Right-of-Way Acquisition.....	37
9. Bids For Construction	37
10. Pre-Payment For Construction and Service.....	38
11. Construction	38
PART II. Request for Service to Subdivided Property	38
1. Sufficient Information.....	38
2. Service within Subdivisions	38

3. Final approval.....	40
SECTION G. RATES AND SERVICE FEES	41
1. Service Investigation Fee.....	41
2. Membership Fee.....	41
3. Easement Fee.....	41
4. Installation Fee.....	41
5. Equity Buy-In Fee.....	42
6. Line Extension Reimbursement Fee.....	42
7. Monthly Charges.....	42
8. Reserved Service Charge.....	43
9. Standby Fee.....	43
10. Emergency Tariff.....	43
11. Assessments.....	43
12. Late Payment Fee.....	44
13. Owner Notification Fee.....	44
14. Mortgagee/Guarantor Notification Fee.....	44
15. Returned Check Fee.....	44
16. Reconnect Fee.....	44
17. Seasonal Reconnect Fee.....	44
18. Service Trip Fee.....	44
19. Equipment Damage Fee.....	44
20. Meter Tampering and Damage to Property Penalty.....	45
21. Customer History Report Fee.....	45
22. Meter Test Fee.....	45
23. Transfer Fee.....	45
24. Information Copy Fee.....	45
25. Customer Service Inspection Fee.....	45
26. Regulatory Assessment.....	45
27. Other Fees.....	45
SECTION H. DROUGHT CONTINGENCY AND EMERGENCY WATER DEMAND MANAGEMENT PLAN	46
1. Declaration of Policy, Purpose and Intent.....	46
2. Permanent Water Waste.....	45
3. Initiation & Termination of Response Stages and Response Measures.....	47
4. Enforcement Provisions.....	53
SECTION I: FORMS PACKET	57
1) Application and Agreement for Membership (5 pages) (USDA RUS-TX Bulletin 1780-9 (Rev. 5-17))	56
2) RIGHT-OF-WAY EASEMENT (Location of Easement Required) (Form RD-TX 442-8 (Rev. 6-06))	61
3) RIGHT-OF-WAY EASEMENT (General Type Easement) (Form RD-TX 442-9 (Rev. 6-06))	63
4) NON-STANDARD SERVICE APPLICATION	65
5) NON-STANDARD SERVICE CONTRACT	67
6) ALTERNATE BILLING AGREEMENT FOR RENTAL ACCOUNTS	74
7) CUSTOMER REQUEST THAT PERSONAL INFORMATION CONTAINED IN UTILITY RECORDS NOT BE RELEASED TO UNAUTHORIZED PERSONS	75
8) CUSTOMER NOTICE OF WATER USE RESTRICTIONS	76
9) CUSTOMER NOTICE OF FIRST VIOLATION AND PENALTY	77
10) CUSTOMER NOTICE OF SECOND VIOLATION AND PENALTY	78
11) CUSTOMER NOTICE OF SUBSEQUENT VIOLATION & PENALTY	79
12) NOTICE OF TERMINATION	80
13) NOTICE OF PROHIBITION OF MULTIPLE CONNECTIONS TO A SINGLE TAP w/TCEQ One meter per Residence Requirements	81

14) INSTALLMENT AGREEMENT	83
15) LINE EXTENSION REFUND AGREEMENT	84
16) MEMBERSHIP MORTGAGE AGREEMENT	85
17) AGREEMENT TO PROVIDE FILL FOR CERTAIN FIRE VEHICLES IN DESIGNATED AREAS	86
18) METER TEST AUTHORIZATION AND TEST REPORT	89
19) NOTICE TO OWNER OF RENTAL PROPERTY	90
20) NOTICE OF REQUIREMENT TO COMPLY WITH THE SUBDIVISION AND SERVICE EXTENSION POLICY OF WINDERMERE OAKS WATER SUPPLY CORPORATION/SPECIAL UTILITY DISTRICT	91
21) NOTICE OF RETURNED CHECK	92
22) REQUEST FOR SERVICE DISCONTINUANCE	93
23) EASEMENT DENIAL LETTER AND AFFIDAVIT	94
24) ACKNOWLEDGEMENT OF REFUSAL	95
25) RELEASE OF EASEMENT	96
26) EQUIPMENT AND LINE DEDICATION AGREEMENT	98
27) MEMBERSHIP TERMINATION AND LIQUIDATION NOTICE	99
28) DEDICATION, BILL OF SALE AND ASSIGNMENT (developer)	100
29) APPLICANT'S NOTICE OF INSUFFICIENT INFORMATION	102
30) DEDICATION, BILL OF SALE AND ASSIGNMENT (Individual)	103
31) CUSTOMER SERVICE INSPECTION CERTIFICATION	105
32) TARIFF FILING REQUIREMENTS	106
33) NOTICE OF RATE INCREASE	107
34) TRWA RECOMMENDED 5/8" X 3/4" METER EQUIVALENTS BASED ON AWWA SPECIFICATIONS AND DESIGN CRITERIA	108
35) LOST MEMBERSHIP CERTIFICATE DECLARATION	109
36) CUSTOMER INFORMATION FORM	110
37) WOWSC Fee Schedule updated 5.22.2018	111

SECTION A. RESOLUTIONS**A RESOLUTION OF THE BOARD OF DIRECTORS OF WINDERMERE OAKS WATER SUPPLY CORPORATION
REGARDING WATER AND SEWER UTILITY RATES**

WHEREAS, Windermere Oaks Water Supply Corporation ("WOWSC") is a nonprofit water supply corporation, operating under the authority of Chapter 67 of the Texas Water Code and the holder of retail water utility and sewer service Certificates of Convenience and Necessity Nos. 12011 and 20662 issued by the Public Utility Commission of Texas;

WHEREAS, the WOWSC Board of Directors (the "Board") recently conducted an analysis of its Fiscal Year 2019 ("FY 2019") and prepared and adopted a budget for Fiscal Year 2020 ("FY 2020");

WHEREAS, in light of a \$12,000 operating loss in FY 2019, and in the face of significant budgeted legal costs in FY 2020, the Board requested the assistance of the Texas Rural Water Association to conduct a rate analysis of WOWSC's current water and sewer utility rates;

WHEREAS, the rate analysis conducted with the assistance of TRWA indicated that WOWSC water and sewer utility rates must be raised to accommodate the FY 2020 WOWSC budget;

WHEREAS, a previous analysis by the TRWA in 2017-18 indicated the WOWSC should raise rates much higher than it did in 2018;

WHEREAS, at the Annual Meeting of WOWSC Board of Directors on February 1, 2020, the Board vetted the proposed rates resulting from the TRWA rate analysis, and took action to formally adopt an increase of the base rates for both water and sewer utility service;

WHEREAS, the Board committed to revisiting these increased rates no later than September 2020 for further evaluation and possible alteration; and

WHEREAS, the rates for WOWSC water and sewer utility service are increased as further detailed below.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF WINDERMERE OAKS WATER SUPPLY CORPORATION THAT:

1. The above recitals are true and correct.
2. The Board of Directors of WOWSC hereby adopts this Resolution to memorialize action taken at the Annual Meeting of the Board of Directors on February 1, 2020 to increase water and sewer utility rates in light of a significant budgeted shortfall for FY 2020.
3. WOWSC water and sewer utility rates are increased as follows:

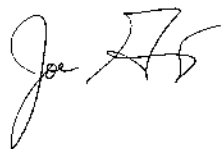
The minimum water service availability charge is increased from \$50.95 to \$90.39.

The minimum sewer service availability charge is increased from \$40.12 to \$66.41.
4. WOWSC's president, general manager, and legal counsel are hereby authorized to take any and all actions necessary to effectuate this resolution and associated rate increase including, but not limited to, draft corresponding amendments to WOWSC's Tariff to reflect the new rates, and drafting and sending member correspondence, drafting and filing necessary documentation with the Public Utility Commission of Texas

This resolution is hereby PASSED AND APPROVED this 11th day of February, 2020 by vote of 5 in support, 0 against, and 0 abstaining.

WINDERMERE OAKS WATER SUPPLY CORPORATION

ATTEST:



Joe Gimenez, President



Mike Nelson, Secretary/Treasurer

Approved February 11, 2020

SECTION B. STATEMENTS

1. **Organization.** The Windermere Oaks Water Supply Corporation ("Corporation") is a member-owned, non-profit corporation incorporated pursuant to the Texas Water Code Chapter 67, and the provisions of the Texas Business Organizations Code applicable to member owned member controlled non-profit corporations for the purpose of furnishing potable water and or sewer utility service. Corporation operating policies, rates, and regulations are adopted by the Board of Directors elected by the Members of the Corporation.
2. **Non-Discrimination Policy.** Membership in the Corporation and service is provided to all Applicants who comply with the provisions of this Tariff regardless of race, creed, color, national origin, sex, disability, or marital status.
3. **Policy and Rule Application.** These policies, rules, and regulations apply to the water and sewer services provided by the Windermere Oaks Water Supply Corporation, also referred to as the Water Supply Corporation, the WSC, the Corporation, or WOWSC. Failure on the part of the Member, Consumer, or Applicant to observe these policies, rules and regulations gives the Corporation the authority to deny or discontinue service according to the terms of this Tariff as amended from time to time by the Board of Directors of the Corporation.
4. **Corporation Bylaws.** The Corporation Members have adopted bylaws which establish the make-up of the Board of Directors and other important regulations of the Corporation. The bylaws are on file at the Corporation's office.
5. **Fire Protection Responsibility.** The Corporation does not provide nor imply that fire protection is available throughout the distribution system, except where expressly required by municipal ordinance or agreed to by WSC. All hydrants or flush valves are for the operation and maintenance of the system and may be used by authorized fire departments in accordance with a contract with the Corporation to supply water for use in fire suppression. The Corporation reserves the right to remove any hydrant, due to improper use or detriment to the system as determined by the Corporation, at any time without notice, refund, or compensation to the contributors unless such hydrants are installed pursuant to the terms of a Non-Standard Service Contract as provided for in Section F, in which event the terms and conditions of the Contract shall apply.
6. **Damage Liability.** The Corporation is not liable for damages caused by service interruptions, events beyond its control, and for normal system failures. The limits of liability of the Corporation is the extent of the cost of service provided. By acceptance of Membership, Member consents to waiver of such liability.
7. **Information Disclosure.** The records of the Corporation shall be kept in the Corporation office in Spicewood, Texas. All information collected, assembled, or maintained by or for the Corporation shall be disclosed to the public in accordance with the Texas Public Information Act. **In no event and under no circumstances shall the Corporation disclose the Social Security Number of any member or customer to any person other than an employee of the Corporation.** An individual customer may request in writing that their address, telephone number, and account records be kept confidential. Such confidentiality does not prohibit the utility from disclosing this information to an official or employee of the state or a political subdivision of the state acting in an official capacity or

an employee of the Corporation acting in connection with the employee's duties. Further, such confidentiality does not prohibit the Corporation from disclosing the name and address of each member entitled to vote on a list to be made available to the Corporation's voting members, or their agents or attorneys, in connection with a meeting of the Corporation's members. The Corporation shall give its applicants and customers notice of rights to confidentiality under this policy and all prevailing associated fees for such request.

8. ***Customer Notice Provisions.*** The Corporation shall give written notice of monthly rate changes by mail or email to all consumers at least 30 days prior to the effective date of the new rate. The notice shall contain the old rates, new rates, effective date of the new rate, date of Board authorization, and the name and phone number of the Corporation's contact person designated to address inquiries about the rate change.
9. ***Grievance Procedures.*** Any Member of the Corporation or individual demonstrating an interest under the policies of this Tariff in becoming a Member of the Corporation shall have an opportunity to voice concerns or grievances to the Corporation by the following means and procedures:
 - a. By presentation of concerns to the Corporation's manager or authorized staff member. If not resolved to the satisfaction of the aggrieved party then,
 - b. By presenting a letter to the Board of Directors stating the individual's grievance or concern and the desired result.
 - c. The Board of Directors shall respond to the complaint by communicating the Board's decision in writing.
 - d. Any charges or fees contested as a part of the complaint in review by the Corporation under this policy shall be suspended until a satisfactory review and final decision has been made by the Board of Directors.
10. ***Customer Service Inspections.*** The Corporation requires that a customer service inspection certification be completed prior to providing continuous water service to new construction and for all new members as part of the activation of standard and some non-standard service. Customer service inspections are also required on any existing service when the Corporation has reason to believe that cross-connections or other potential contaminant hazards exist, or after any material improvement, correction or addition to the members' water distribution facilities. This inspection is limited to the identification and prevention of cross connections, potential contaminant hazards and illegal lead materials. (30 TAC 290.46(j)) (See Tariff Section G. 25.)
11. ***Submetering Responsibility.*** Submetering and Non-Submetering by Master Metered Accounts may be allowed in the Corporation's water distribution or sewer collection system provided the Master Metered Account customer complies with the Texas Commission on Environmental Quality Chapter 291, Subchapter H rules pertaining to Submetering. The Corporation has no jurisdiction or responsibility to the tenants; tenants receiving water under a Master Metered Account are not considered customers of the Corporation. Any interruption or impairment of water service to the tenants is the responsibility of the Master Metered Account Customer. Any complaints regarding submetering should be directed to the Texas Commission on Environmental Quality.

NOTE: The system should check with the Master Metered Account Customer to:

1. See if they have registered with the TCEQ, (Texas Water Code Chapter 13 Subchapter M.)
 2. See that they do not charge their tenants more than the total amount of charges billed. If the aggregate bill is greater than the Corporation's charge, the Master Metered Account Customer is considered by the TCEQ to be a separate Public Water System and will be required to comply with all TCEQ regulations.
 3. Protect the System's CCN. Should the Master Metered Account Customer continue to violate these or other State regulations, the Corporation will need to request a Cease and Desist Order from the TCEQ. (Texas Water Code Section 13.252 and 30 TAC Section 291.118)
12. ***Prohibition Against Resell of Water.*** The meter and/or sewer connection is for the sole use of the Member or customer and is to provide service to only one (1) dwelling or one (1) business. Extension of pipe(s) to share or resell water to any other persons, dwellings, businesses, or property, etc., is prohibited.

SECTION C. DEFINITIONS

Active Service – The status of any Member receiving authorized service under the provisions of this Tariff.

Applicant – A person, partnership, cooperative corporation, corporation, agency, public or private organization of any type applying for service with the Windermere Oaks Water Supply Corporation. A person must have reached age of majority (18) in Texas to apply for service. (Section 129.001, Civil Practice & Remedies Code)

Base Rate – The monthly charge assessed each Member/Customer for the opportunity of receiving service. The Base Rate is a fixed rate based upon the meter size as set forth in the equivalency chart in Section G.

Board of Directors – The governing body elected by the Members of the Windermere Oaks Water Supply Corporation that is vested with the management of the affairs of the Corporation. (Section 22.001(1), Texas Business Organizations Code)

Bylaws – The rules pertaining to the governing of the Windermere Oaks Water Supply Corporation adopted by the Corporation Members. (Section 22.001(2), Texas Business Organizations Code)

Certificate of Convenience and Necessity (CCN) – The authorization granted under Chapter 13 Subchapter G of the Texas Water Code for Windermere Oaks Water Supply Corporation to provide water and/or sewer utility service within a defined territory. Windermere Oaks Water Supply Corporation has been issued Certificate Number 12011. Territory defined in the CCN shall be the Certificated Service Area. (See Tariff Section D. Certificated Service Area Map)

Corporation – The Windermere Oaks Water Supply Corporation. (Section B. 1 of this Tariff)

Developer – Any person, partnership, cooperative corporation, corporation, agency, or public or private organization who subdivides land or requests two (2) or more water or sewer service connections on a single contiguous tract of land [as defined in Section 13.2502 (e)(1) of the Texas Water Code].

Disconnection of Service – The discontinuance of water or sewer service by the Corporation to a Member/Customer.

Easement – A private perpetual dedicated right-of-way for the installation of water and or sewer pipelines and necessary facilities which allows access to property for future operation, maintenance, facility replacement, facility upgrades, and/or installation of additional pipelines (if applicable) for both service to an Applicant and system-wide service. This may also include restrictions on the adjacent area to limit the installation of sewer lines or other facilities that would restrict the use of any area of the easement. (See Sample Application Packet, Form-RUS-TX 442-8 (Rev. 6-06) or Form RUS-TX 442-9 (Rev. 6-06)) The easement will be filed in the real property records of the appropriate county or counties.

Equity Buy-In Fee – Each Applicant for new service where a new service tap is necessary shall be required to achieve parity with the contributions to the construction of the Corporations facilities

capacity that have been made previously by existing Members. This fee shall be assessed prior to providing or reserving service on a per service unit basis for each property and shall be assigned and restricted to that property for which the service was originally requested. (Tariff Section G. 5.)

Final Plat – A complete plan for the subdivision of a tract of land showing or referencing Local Tax Appraisal Maps, access to public road(s), number and size of lots, location of dedicated water/sewer easements, and location(s) of lakes, streams, or rivers through the property. The Windermere Oaks Water Supply Corporation shall determine if a plat submitted for the purpose of this Tariff shall qualify as a final plat. For purposes of evaluating Subdivision service requests under Section F, the Corporation may accept preliminary plats or plats awaiting final approval pending execution of agreement for service by the Corporation.

Hazardous Condition – A condition that jeopardizes the health and welfare of the Members/Consumers of the Corporation as determined by the Corporation or regulatory authority.

Indication of Interest Fee – A fee paid by a potential Member of the Corporation for the purpose of determining the feasibility of a construction and /or expansion project. The Indication of Interest Fee may be converted to a Membership Fee upon determination that service to the Applicant is feasible and available. This also applies to applicants applying for, or receiving, Temporary Service. (Tariff Section E. 10 b., and Sample Application Packet - USDA RUS-TX Bulletin 1780-9 (Rev. 05/17))

Liquidated Membership – A Membership that has been canceled due to delinquent charges exceeding the Membership Fee or for other reasons as specified in this Tariff.

Member – Any person, partnership, cooperative corporation, corporation, agency, or public or private organization who holds a membership in the Corporation and who is a record owner of the property served, that has qualified for service and been certified as a member in accordance with the Corporation's Tariff. (Texas Water Code Section 13.002(11), Texas Water Code Section 67.016(d))

Membership – A non-interest bearing stock or right of participation purchased from the Corporation evidencing a Member's interest in the Corporation. (See Tariff Section E. 10 b and Texas Business Organizations Code Sections 22.151(c))

Membership Fee – A fee qualified as such under the terms of the tariff and the bylaws of the Corporation assigned to the real estate designated to receive service. The membership fee shall be refundable upon termination of service and surrendering the Membership. The membership fee cannot be more than 12 times the minimum monthly base rate. (30 TAC Section 291.3(25) Definitions, Texas Water Code Section 13.043(g))

Proof of Ownership – For the purpose of this tariff, applicants for service and membership shall provide proof of ownership of the real estate to be served by deed of trust, warranty deed, or other recorded documentation. (See Texas Property Code, Title 3, Chapter 12, Section 12.001 and 12.0011)

Public Utility Commission of Texas (PUCT) State regulatory agency took jurisdiction in 2014 over the rates charged, areas served, and customer service policies followed by water supply or sewer service corporations. PUCT does not have jurisdiction over retail rates of water supply corporations and only has appellate jurisdiction if 10% of customers protest the rate. PUCT does not require water supply corporations to notify their customers of rate changes. Tariff is to be filed with TCEQ.

Rural Utilities Service (RUS) – An agency of the United States Department of Agriculture Rural Development Mission Area that provides loan and grant funds for development of rural water and sewer systems serving communities with a population of less than ten thousand (10,000) people.

Renter – A consumer who rents or leases property from a Member or who may otherwise be termed a tenant. (See Tariff Section E. 11.)

Re-Service – Providing service to an Applicant at a location for which service previously existed and where there is an existing setting for a meter. Costs of such re-servicing shall be based on justifiable expenses in connection with such re-servicing. (See Tariff Section E. 7. b., and Section I Miscellaneous)

Seasonal Reconnect Fee – The fee charged for resumption of service at a location where the member has voluntarily suspended service, in a written request, for a period of time not exceeding nine months within a twelve month period. The fee is based on the total months for which service is suspended multiplied by the amount of the monthly minimum fee the Corporation charges active customers.

Service Application and Agreement – A written agreement between the Member/Applicant and the Corporation defining the specific type of service requirements requested on the current service application and agreement form, and the responsibilities of each party required before service is furnished. (See Sample Application Packet RUS-TX Bulletin 1780-9 (Rev. 05/17) or Non-Standard Service Contract)

Service Investigation Fee – A fee for costs associated with determining if service is available and determining cost of service. (See Tariff Section F.4., F. 5. G. 1. & I Non-standard application & contract)

Service Unit – The base unit of service used in facilities design and rate making. For the purpose of this Tariff, a service unit is a 5/8" X 3/4" water meter. Sewer facilities are designed and rates are based on the basis of population served or demand. (See Tariff Section G.2., G.5., G. 7.)

Subdivide – To divide the surface area of land into lots or tracts. (Texas Local Government Code Section 232.021(11) Definitions, Texas Water Code Section 13.2502(e)(1))

Subdivider – An individual, firm, corporation, or other legal entity that owns any interest in land and that directly or indirectly subdivides land into lots as a part of a common promotional plan in the ordinary course of business. (Texas Local Government Code Section 232.021(12) Definitions)

Subdivision – An area of land that has been subdivided into lots or tracts. (Local Government Code Section 232.021(13) Definitions)

Tariff – The operating policies, service rules, service extension policy, service rates, water use restriction policies, sample application packet, and miscellaneous transaction forms adopted by the Board of Directors. A copy of this Board approved tariff is on file at the Corporation office and as required by law at the State office of the TCEQ.

Temporary Service – The classification assigned an applicant that is in the process of construction. This could also apply to service for uses other than permanent (agricultural, road construction, drilling,

livestock, etc.). The Board will set the length of time associated with this classification. This classification will change to permanent service after requirements in Tariff Section E. 1, E. 2, E. 3, E. 6, E. 7, E. 10 are met.

Texas Commission on Environmental Quality (TCEQ) – State regulatory agency having jurisdiction of Non-Profit Water and Sewer Service Corporations over drinking water and sewer rules and regulations, water rights and permits, water quality, conservation and water use reports.

Transferee – An Applicant receiving a Windermere Oaks WSC Membership by legal means from a person or entity desiring to forfeit and transfer current rights of Membership to another person or entity. (See Tariff Section E. 10 c., Miscellaneous Transaction Forms, Texas Water Code Section 67.016)

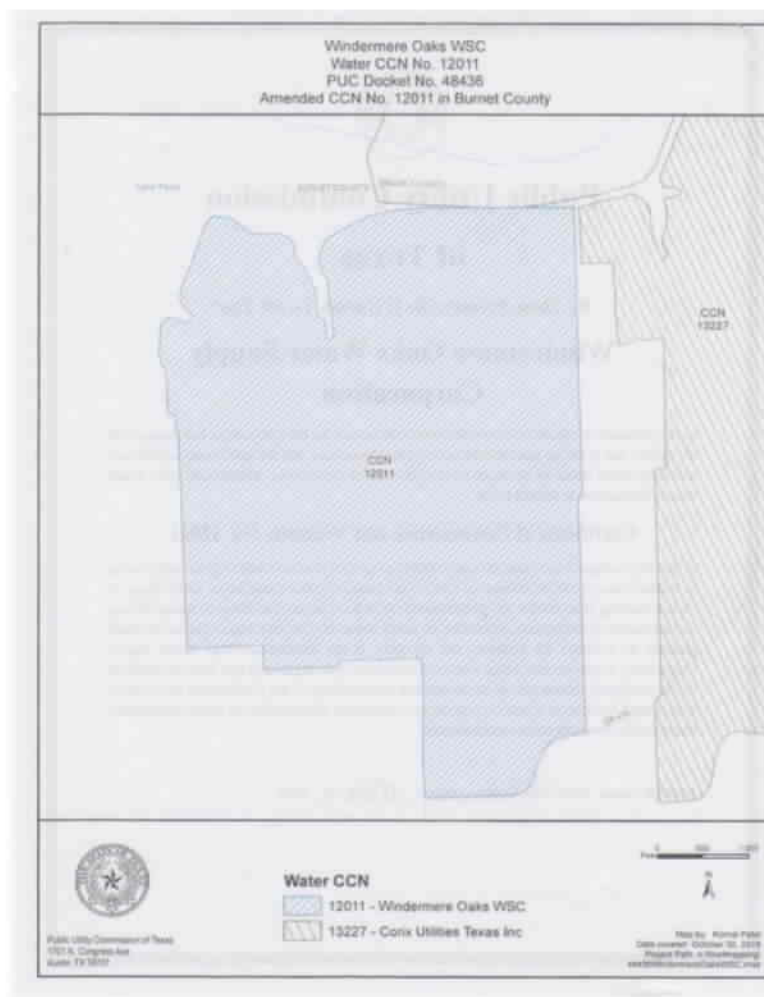
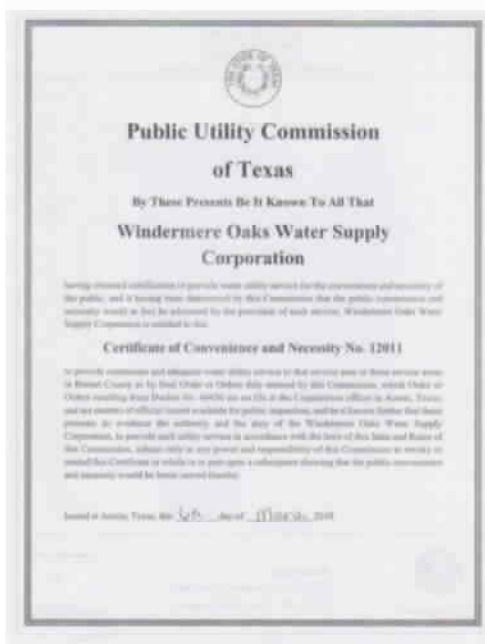
Transferor – A Member who transfers Membership by legal means to another person or entity desiring to qualify for service at a property for which the Membership is currently issued or to the Corporation. (Texas Water Code, Section 67.016)

Usage – Amount billed or to be collected based on the meter reading.

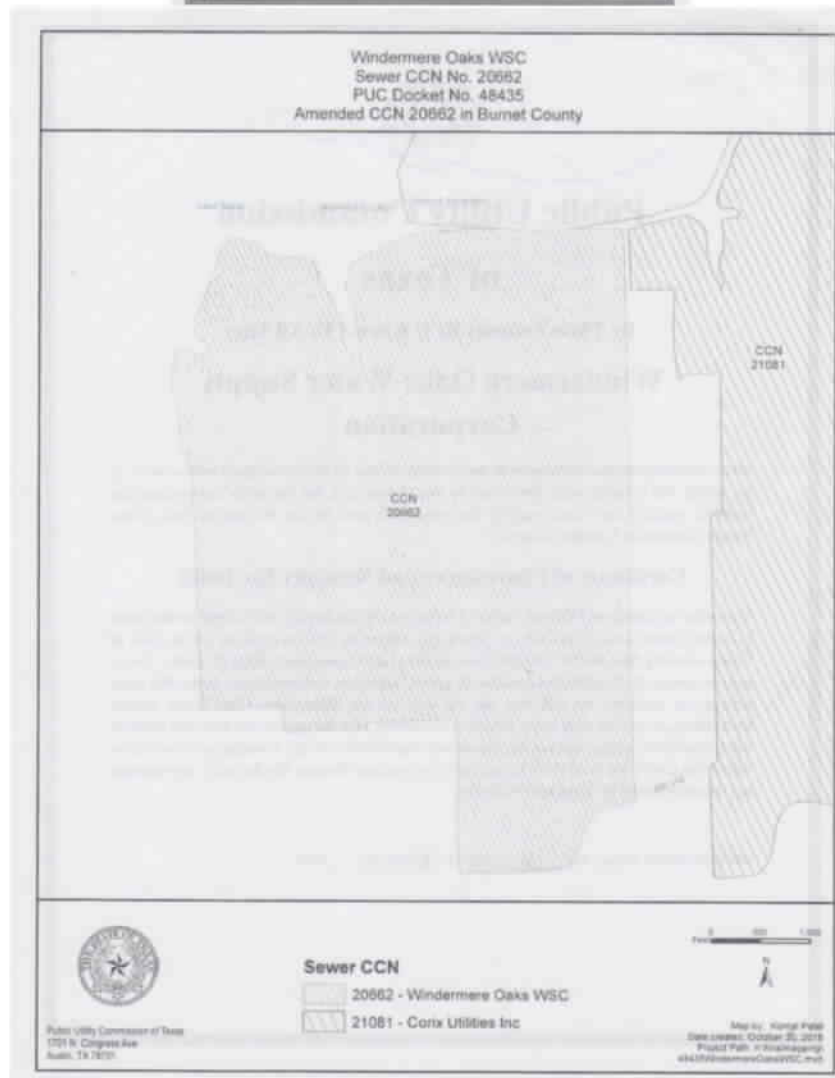
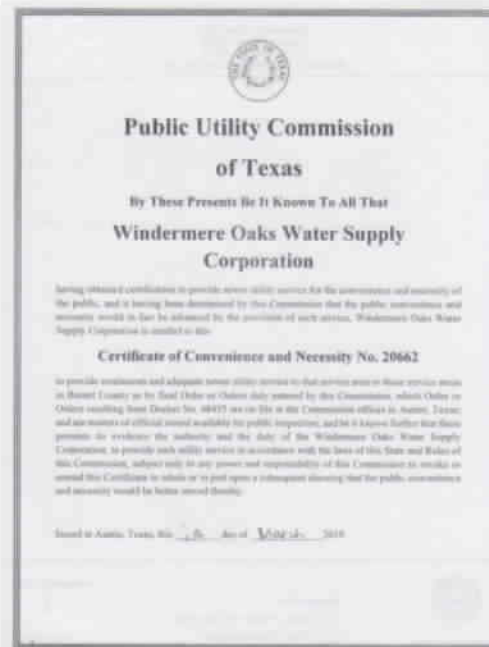
Water Conservation Penalty – A penalty that may be assessed under Section H of this Tariff to enforce customer / member water conservation practices during drought contingency or emergency water demand circumstances. (Texas Water Code Section 67.011 (b)).

SECTION D. GEOGRAPHIC AREA SERVED

MAP OF WATER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) AREA



MAP OF SEWER CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) AREA



SECTION E. SERVICE RULES AND REGULATIONS

1. ***Service Entitlement.*** The Applicant(s) shall be considered qualified and entitled to water and/or sewer utility service when proper application has been made, terms and conditions of Service and Membership have been met and continue to be met, and all fees have been paid as prescribed. (30 TAC 291.85(a))
2. ***Service Location and Classification.*** For the purposes of this Tariff, service requested by the Applicant(s) shall be for real estate designated to receive the service provided by the Corporation. Service shall be through a meter or sewer tap located on that designated real estate unless otherwise approved by the board. Service shall be divided into the following two classes:
 - a. **Standard Service** is defined as service on a specific property designated to receive service on an existing pipeline where pipeline or service facility extensions are not required and special design and/or engineering considerations are not necessary. Typically, this would include 5/8" X 3/4" or 3/4" sized water meter services set on existing pipelines, pressure collection facilities installed or connected to collection lines no more than five feet in depth.
 - b. **Non-Standard Service** is defined as any service request which requires a larger meter service, service to a Master Metered Account (E. 8) or an addition to the supply, storage and/or distribution/collection system. The service requirements as prescribed by Section F of this Tariff shall be required of the Non-Standard Service Applicant prior to providing service.
3. ***Service Requirements.*** The Corporation's Service Application and Agreement Form shall be completed in full and signed by the Applicant(s). Where applicable in addition to the applicant any other person sharing an ownership interest in and receiving service at that property shall sign the Service Application and Agreement Form; however, even if the spouse or other person sharing an ownership interest does not sign the Service Application and Agreement Form, they are still responsible for all terms set forth therein, and for any debt obligation related to the account. (See Sample Application RUS-TX Bulletin 1780-9 (Rev. 05/17))
 - a. A Right-of-Way Easement Form, Sanitary Control Easement, or other such easement form, required by the Corporation, must be completed by the Applicant for the purpose of allowing future facility additions. (See Sample Application - RUS-TX Bulletin 1780-9 (Rev. 05/17), 30 TAC 290.47 Appendix C.) **NOTE:** This requirement may be delayed for Non-Standard Service requests.
 - b. The Applicant shall provide proof of ownership to property for which service has been requested in a manner acceptable to the Corporation. Proof of ownership shall consist of warranty deed, deed of trust or other recordable documentation of title to the real estate designated to receive service. (Texas Water Code Sections 67.016 (e), and 13.002 (11)).
 - c. On the request by the property owner or owner's authorized agent, the

Corporation shall install individual meters owned by the Corporation in an apartment house, manufactured home rental community, multiple use facility, or condominium on which construction begins after January 1, 2003, unless the Corporation determines that installation of individual meters is not feasible. If the Corporation determines that installation of meters is not feasible, the property owner or manager shall install a plumbing system that is compatible with the installation of submeters or individual meters. The Corporation shall be entitled to the payment of costs, including the costs of individual meter installations, as provided in Section G. The cost of individual meter installation shall be prepaid by the property owner as well as the cost of any additional facilities or supply occasioned by the total water/sewer service demand represented by full occupancy of the property, as determined under applicable provisions of Section F. It shall be the responsibility of the property owner to obtain the memberships required for each individual meter.

- d. Notice of application approval and costs of service determined by the Corporation shall be presented to the Applicant in writing and shall remain in effect for a period not to exceed thirty (30) days. After that time the Applicant must re-apply for service. (30 TAC 291.81(a)(1))
 - e. If the water main has been located in the public right-of-way and is adjacent to Applicant's property due to the current or previous landowner's refusal to grant easement to the Corporation for the purpose of installing the water main and appurtenances, and the Corporation has documentation of such refusal, the Applicant, prior to receiving the requested service, shall grant easement required under this Tariff and in addition to the normally required fees for new customer service, shall pay such sums as are reasonably necessary to cap the existing line in the ROW and construct the appropriate line or lines within that easement for the Corporation's system-wide service. (see Miscellaneous Transaction Forms)
4. ***Line Extension Reimbursement.*** – An approved Applicant may have to pay on a prorated basis a line reimbursement fee to the Corporation for the purpose of reimbursing a member or other party that made the capital outlay to extend service to that area. (See Miscellaneous Transaction Forms)
 5. ***Ownership of equipment.*** All water meters and equipment and materials required to provide water or wastewater service to the point of customer connection; water meter or service tap, is the property of the Corporation upon installation, and shall be maintained by the water system only.
 6. ***Requirements for Mandatory Sewer Connection.*** – Effective May 19, 1997, the installation of any private on-site wastewater treatment or holding facility on property within the Corporation's certificated service area which is less than 300 feet (measured from boundary line of the property to the nearest point of the Corporation's wastewater collection system along a public-right-of-way or utility easement) is prohibited and service to any such property will be provided by the Corporation. (**Note:** This does not

apply to any person who has installed an on-site wastewater holding or treatment facility if that on-site facility was installed prior to construction and operation of the Corporation's wastewater collection system within 300 feet of the property or prior to the effective date stated herein.) Any costs for connection to the Corporation's wastewater collection system in excess of the standard costs required under Section G must be paid for by the wastewater service applicant. The Corporation must review and approve plans and specifications for any connection prior to construction (Texas Water Code Section 49.234).

7. *Activation of Standard Service.*

- a. **New Tap** – The Corporation shall charge a non-refundable service installation fee as required under Section G of this tariff. The service installation fee (Tap Fee) shall be quoted in writing to the Applicant. Any debt owed to the Corporation and all fees shall be paid in advance of installation. (30 TAC 291.86 (a)(1)(A))
- b. **Re-Service** – On property where service previously existed, the Corporation shall charge the Membership Fee (where the Membership Fee has been liquidated or refunded), reconnection costs, any debt owed to the Corporation if the applicant is the person that previously incurred those charges, seasonal reconnect fee, any accumulated reserve service charge fees that have been entered on the inactive account as monthly debits and other applicable costs necessary to restore service.
- c. **Performance of Work** – All tap and equipment installations specified by the Corporation shall be completed by the Corporation staff or designated representative after all application requirements have been met. The tap for a standard service request shall be completed within five (5) working days whenever practicable, but not later than 10 working days. This time may be extended for installation of equipment for Non-Standard Service Request. (See Section F)
- d. **Inspection of Customer Service Facilities** – The property of the Applicant/Member shall be inspected to insure compliance with state required Minimum Acceptable Operating Practices For Public Drinking Water Systems as promulgated by the Texas Commission on Environmental Quality or successor agency. The customer must, at his or her expense, properly install, inspect, test, maintain and provide all required documentation of any approved backflow prevention device required by the Corporation. (30 TAC 290.46(j); Section I Service Application and Agreement)

8. *Activation of Non-Standard Service.* Activation of Non-Standard Service shall be conducted as prescribed by terms of Section F of this Tariff.

9. *Changes in Service Classification.* If at any time the Corporation determines that the customer service needs changed from those originally applied for to a different service classification and the Corporation determines that additional or different facilities are necessary to provide adequate service, the Corporation shall require the Applicant/Member to re-apply for service under the terms and conditions of this Tariff. Applicant/Members failing to comply with this provision shall be subject to the Disconnection with Notice Provisions of this Tariff, Section E. 17.

10. Membership.

- a. **Eligibility** – Eligibility for Membership shall not guarantee service to the Applicant or Transferee; however, qualification for service is a prerequisite to Membership eligibility for new Applicants or continued Membership for Transferees.
- b. **Membership** - Upon qualification for service, qualification for Membership, payment of the required fees, and any debt owed to the Corporation, the Corporation shall certify the Applicant as a Member. The Membership shall entitle the Member to one (1) connection to the Corporation's water/sewer utility service and one (1) share of Corporation Stock. The Membership entitles the Member to one (1) vote in the election of directors and in such other matters requiring the approval of the Corporation's Members at any Annual or Special Membership Meeting of the Corporation as prescribed by the Corporation Bylaws. Ownership of more than one (1) Membership shall not authorize the Member to cast more than one (1) vote at any annual or special meeting. Each Membership and Stock thereby represented shall be assigned to the specified parcel of land originally designated to receive service at the time of application. (Texas Water Code Section 67.016) **NOTE (1):** In the event that the Corporation is conducting a potential Members survey for indications of interest in future service for the purpose of determining the feasibility of an initial construction or expansion project under RUS guidelines (see Sample Application Packet), regular application procedures may be modified. An Indication of Interest Fee may be required prior to qualifications for receipt of service by the Applicant but shall only be used or applied as a Membership Fee for Membership purposes (upon issuance of a Membership) if service is ultimately received or reserved by the Applicant as a result of the planned project facilities. If service is not provided within the scope of this project, Indication of Interest Fees shall be refunded, less expenses, within sixty (60) days of the loan closing with the Rural Utilities Service. **NOTE (2):** In the event the applicant is in the process of construction the Membership will be considered TEMPORARY until such time as the final Customer Service Inspection is completed and the forms are returned as required. (See Section C Definitions, Section E.3, G.25, CSI Certificate I.31)
- c. **Transfers of Membership.** – (Texas Water Code Section 67.016)
 - 1) A Member is entitled to transfer Membership in the Corporation only under the following circumstances:
 - (a) The Membership is transferred by will to a person related to the Transferor within the second degree by consanguinity; or
 - (b) The Membership is transferred without compensation to a person related to the Transferor within the second degree by consanguinity; or
 - (c) The Membership is transferred without compensation or by sale to the Corporation; or
 - (d) The Membership is transferred as a part of the conveyance of real estate from which the Membership arose.
 - 2) In the event that Membership is transferred pursuant to the provisions of

Subsection 10 c. (1) of this Section, such transfer shall not be completed or recorded on the books and records of the Corporation until such time as the transferor has provided satisfactory evidence to the Corporation of such transfer. A transfer of Membership shall be considered a new application for service and is not binding on the Corporation until such transfer has been approved as provided by Subsection 10 c. 3 of this Section.

- 3) Qualifications for service upon transfer of Membership set forth in Subsection 10 c. (1) of this and 10 c. (2) of this Section shall be subject to approval of the Corporation and shall be recorded on the books and records of the Corporation only upon the following terms and conditions:
 - (a) The Transferee has completed the required Application Packet including granting the Corporation with a private utility easement on the form provided by the Corporation;
 - (b) The membership has not been fully or partially liquidated; and
 - (c) The Transferee demonstrates satisfactory evidence of ownership of the property designated to receive service and from which the Membership originally arose.
- d. **Cancellation of Membership** – To keep a Membership in good standing, a Base Rate must be paid monthly to the Corporation, whether or not water is used. Failure to pay this monthly charge to the Corporation shall jeopardize the Member's Membership standing and give rise to liquidation of the Membership Fee and forfeiture of the Membership. A Member may be relieved of this obligation to pay by surrendering the Membership, properly documented, to the Corporation. The Member shall also complete a Service Discontinuance Request Form prior to termination of service. (See Misc. Transaction Forms.) However, a Member is not relieved of any obligations incurred prior to the date of surrender of a properly endorsed Membership prior to termination of service. Rights to future service at this tap shall be extended on an as-available basis and subject to the terms of the Activation of Service Subsection E 10 d. of this Tariff. (Texas Water Code Section 67.016)
- e. **Liquidation Due To Delinquency** – When the amount of the delinquent charges owed by the Member equals the Membership Fee, the Membership Fee shall be liquidated and the Membership canceled and transferred back to the Corporation. In the event the Member leaves a balance due on an account guaranteed under the terms of a Service Application and Agreement, and the delinquent Member owns more than one Membership, the Corporation may liquidate as many of the Member Guarantor's Membership Fees as necessary to satisfy the balance due the Corporation, provided proper notice has been given (see Tariff Section E, Subsection 10.e.). The Corporation shall collect any remaining account balances by initiation of legal action. Re-instatement of service shall be subject to the terms of the Activation of Service Subsection E 7. of this Tariff.
- f. **Cancellation Due To Policy Non-Compliance** – The Corporation may cancel a Membership anytime a Member fails to comply with policies of the Corporation, including but not limited to Member's failure to provide proof of

ownership of the property from which the Membership arose. (Texas Water Code Section 67.016)

g. **Re-assignment of Canceled Membership.**

- 1) The Corporation, upon cancellation of Membership under the provisions of this Tariff, may re-assign the canceled Membership to a person or entity that has legal title to the real estate from which the canceled membership arose and for which water or sewer service is requested (Texas Water Code Section 67.016). Membership will not be re-assigned unless the person or entity that has legal title to the real estate has complied with the corporation's current rates, charges, and conditions of service, including current membership fee, set forth in the tariff and service application package.
- 2) The Corporation shall reassign a canceled Membership to a person or entity that acquires the real estate from which the Membership arose through judicial or nonjudicial foreclosure. The Corporation will require proof of ownership resulting from the foreclosure and compliance with the corporation's current rates, charges, and conditions of service, including current membership fee, set forth in the tariff and service application package. In the event of foreclosure by a mortgage institution, the Corporation may allow a property management company to acquire the Membership if the management company provides written documentation showing that the management company is legally responsible for the management of the property and it is not feasible for the mortgage institution to be the Member.

h. **Mortgaging of Memberships** – Nothing herein shall preclude a Member from mortgaging his/her Membership. However, notification to the holder of any security interest (mortgagee/lien-holder) of account status of Member/mortgagor will be provided only upon satisfactory completion of requirements for such conditions under the Membership Mortgage Agreement (See Miscellaneous Transaction Forms). Prior to the cancellation of any Membership as provided under Subsection E. 10.d. (Cancellation of Membership), the Corporation will notify the holder of any security interest in the Membership. The holder of the security interest also must hold a security interest in the real property at which water service is provided under the Membership. The Corporation may transfer the Membership to the holder of such security interest in lieu of cancellation, provided the holder of the security interest pays in full all delinquent and unpaid obligations and provided further that the holder of the security interest has secured title to the real property from which the Membership arose. The Corporation may withhold cancellation of a Membership pending the resolution of any foreclosure proceedings or similar legal proceedings by the holder of the security interest.

i. **Cancellation and Re-Assignment of Membership as a Result of Bankruptcy Proceedings** – Upon notice of the filing of a petition in bankruptcy, the Corporation may require the posting of a deposit or other form of security, acceptable to the Corporation, as a condition for continuing

utility service. Unless special circumstances require otherwise, the amount of security shall equal the amount of charges for the month of greatest use during the preceding 12 months. The Corporation shall not require the payment of any security prior to the expiration of 20 days following the date on which the petition is filed. Failure to provide this security by the date specified by the Corporation may result in termination of service according to the Disconnection with Notice Provisions of Section E. 17. of this Tariff, with a copy of the notice to the bankruptcy Trustee.

- j. **Cancellation and Re-Assignment of Membership as a Result of Divorce (or Dissolution of Joint Tenancy)** – The Corporation shall transfer the membership to a spouse (or joint tenant) who has been awarded the property designated to receive service. The Corporation must be provided adequate documentation of the ownership rights of the spouse (or joint tenant) requesting transfer, such as final divorce decree, temporary court order, or agreement. In no event shall any membership(s) be transferred if the transferee does not otherwise meet the qualifications for membership and for service.

11. Owners and Renters. Any Member having complied with the requirements of this Tariff, renting or leasing property designated to receive service according to the terms of this tariff to other parties, is responsible for all charges due the Corporation. The membership for rental or leased properties shall be in the name of the owner of the property as required by this Tariff. The Corporation may bill the renter or lessee for utility service (at Member Request) as a third party, but the Member will also be copied on the billing and is fully responsible for any and all unpaid bills left by the renter/lessee. The owner shall be required to sign an Alternate Billing Agreement if the owner requests that the tenant be billed for utility service. (See Miscellaneous Transaction Forms.) The Member shall take responsibility for any necessary deposits from the renter/lessee to ensure payment of a past due bill. If at any time the member requests that membership be canceled thereby discontinuing service to an occupied rental property, the Corporation shall provide written notice to the tenant(s) a minimum of five (5) days prior to the scheduled disconnection date.

12. Denial of Service. The Corporation may deny service for any of the following reasons:

- a. Failure of the Applicant or Transferee to complete all application requirements, including granting an easement, completing all forms, and paying all required fees and charges.
- b. Failure of the Applicant or Transferee to comply with rules, regulations, policies, and bylaws of the Corporation.
- c. Existence of a hazardous condition at the Applicant's property which would jeopardize the welfare of the Members/Users of the Corporation upon connection.
- d. Failure of Applicant or Transferee to provide representatives or employees of the Corporation reasonable access to property, for which service has been

requested;

- c. Failure of Applicant or Transferee to comply with all governmental rules and regulations of the Corporation's tariff on file with the state regulatory agency governing the service applied for by the Applicant.
- f. Failure of Applicant or Transferee to provide proof of ownership, to the satisfaction of the Corporation, of property for which the tap has been requested.
- g. Applicant's service facilities are known to be inadequate or of such character that satisfactory service cannot be provided.
- h. Failure of Applicant or transferee to comply with applicable regulations for on-site sewage disposal systems if the Corporation has been requested to deny service by the TCEQ or the TCEQ's designated representative under Chapter 366 of the Texas Health and Safety Code.
- i. Failure of the Applicant or Transferee to pay any previous outstanding delinquent account(s) in full. This could be delinquencies resulting from the same account location or other service location(s) within the system where the Applicant or Transferee received service. (Also see E 10.)

13. *Applicant's or Transferee's Recourse.* In the event the Corporation refuses to serve an Applicant under the provisions of these rules, the Corporation must notify the Applicant, in writing, on the basis of its refusal. The Applicant may file for an appeal, in writing, with the Board of Directors of the Corporation.

14. *Insufficient Grounds for Refusal of Service.* The following shall not constitute sufficient cause for the refusal of service to an Applicant:

- a. Delinquency in payment for service by a previous member or occupant of the premises to be served;
- b. Failure to pay a bill to correct previous underbilling due to misapplication of rates more than six (6) months prior to the date of application;
- c. Violation of the Corporation's rules pertaining to operation of non-standard equipment or unauthorized attachments which interferes with the service of others, unless the customer has first been notified and been afforded reasonable opportunity to comply with said requirements;
- d. Failure to pay a bill of another member or customer as guarantor thereof unless the guarantee was made in writing to the Corporation as a condition precedent to service;
- e. Failure to pay the bill of another member or customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill.

15. *Charge Distribution and Payment Application.*

- a. **The Base Rate** is for the billing period from the 21st day of the month to the 21st day of the following month. Charges shall be prorated for meter installations and service termination's falling during the billing period. Billings for this amount shall be mailed on or about the 30th of the month and shall be due and payable upon receipt. All services shall be subject to this

charge whether or not the service is in use by the Member.

- b. **Gallonge Charge** shall be billed at the rate specified in Section G and billing shall be calculated in one hundred (100) gallon increments. Water charges are based on monthly meter readings and are calculated from reading date to reading date. Readings used in all billing calculations shall be taken by the Corporation's employees or designated representative.
- c. **Posting of Payments** – All payments shall be posted against previous balances and late fees prior to posting against current billings.
- d. **Forms of Payment:** The Corporation will accept the following forms of payment: cash, personal check, cashier's check, money order or an electronic format approved by the Board of Directors. The Corporation will not accept two-party checks, paychecks, or any other instrument of payment that is not made out to the Corporation.

16. *Due Dates, Delinquent Bills, and Service Disconnection Date.*

- a. The Corporation shall mail all bills on or about the 30th day of the month. All bills are considered the responsibility of each person signing the Service Application and Agreement Form. All bills shall be due and payable upon receipt and are past due beyond the date indicated on the bill (allowing approximately fifteen (15) days to pay), after which time a penalty shall be applied as described in Section G. A bill is delinquent if not paid on or before the past due date. Payments made by mail will be considered late if postmarked after the past due date. After the past due date a final notice shall be mailed outlining disconnection of service. Ten days after the mailing of the final notice (as postmarked with the U.S. Postal Service) WOWSC service will be disconnected if payment has not been received. If the past due date for the regular or final billing is on a weekend or holiday, the past due date for payment purposes shall be the next day the Corporation office is open for business after said weekend or holiday. For all disputed payment deadlines, the date postmarked on each bill will determine the beginning of each billing cycle or final notice mailings.
- b. The board of directors or general manager may elect to not charge a late fee or disconnect fee in accordance with this Tariff during or after the occurrence of a natural disaster or other incident that impacts the property of members or interrupts the management and operation of the system.
- c. -All insufficient fund checks, accounts closed or money orders that have had a "stop payment order" issued for payment of a water bill will be deemed delinquent as if no payment was received and the meter is subject to disconnection with notice on the regular disconnection day.

17. *Rules for Disconnection of Service.* The following describes the rules and conditions for disconnection of service. Notwithstanding any language to the contrary in the Service Application and Agreement Form, the Corporation may only