

ARTICLE XV

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

ARTICLE XVI

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

ARTICLE XVII

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

ARTICLE XVIII

Section 1. If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board may determine or as may be required by Farmers Home Administration, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all costs of operation, maintenance, replacement and repayment on indebtedness for the year's operations, but this provision shall not operate for the benefit of any third party creditor other than Farmers Home Administration without a favorable vote of the majority of the Members. Any assessments levied to make up operational deficits in any year shall be levied against Members in proportion to their patronage with the Corporation.

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

ARTICLE XIX

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

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

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by The Open Records Act, Article 6252-17a, Tex. Rev. Civ. Stat., including any amendments thereto, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.

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

ARTICLE XX

These By-Laws may be altered, amended, or repealed by a vote of a majority of the Members present at any regular meeting of the Corporation, or at any special meeting of the Corporation called for that purpose, except that the Members shall not have the power to change the purpose of the

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

ARTICLE XXI

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

ARTICLE XXII

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

ARTICLE XXIII

The above By-Laws and regulations were unanimously adopted by the Membership of THE BAFFIN BAY WATER SUPPLY CORPORATION, at a meeting in the Loyola Beach Community on the _____ day of _____. A.D. 19 ____

Secretary-Treasurer

Tariff Filing Requirements

Effective September 1, 1989, all non-profit water supply corporations are required to file their tariff with the Texas Natural Resource Conservation Commission for information purposes only. Tariffs should be mailed to:

Texas Natural Resource Conservation Commission
P.O. Box 13087
Capitol Station
Austin, Texas 78711-3087
Attention: Rate Section Tariff Clerk

The deadline for filing tariffs was January 1, 1990. Utilities failing to comply with the Commission's rules may be subject to fines and penalties. The Commission will accept voluntary compliance with the filing requirements without penalty.

CONFLICT-OF-INTEREST POLICY

1. A person is disqualified from serving as a Director on the Board for the Corporation if:

a. He or she is a developer of property within the service area of the Corporation;

b. He or she is an employee of any developer of property within the service area of the Corporation;

c. He or she is an employee of any Director, manager, engineer, or attorney for the Corporation;

d. He or she is serving as a consultant, engineer, attorney, manager, or in any other professional capacity for the Corporation or for a developer of property within the service area of the Corporation;

e. He or she is a party to a contract with the Corporation, except a contract for the purchase of water services furnished by the Corporation to the Corporation's members generally, or;

f. He or she is a party to a contract with any developer of property within the service area of the Corporation, other than a contract limited solely to the purpose of purchasing or conveying real property within the service area of the Corporation for the purpose of establishing residence or establishing a commercial business within the service area of the Corporation.

g. He or she is serving as a decision-maker, managerial employee, or in some professional capacity representing a municipality, district, or utility which is currently contracting with the Corporation for water utility or other service or other conditions or considerations.

h. He or she is a member of the immediate family of any Director of the Corporation or of any other person serving in a managerial capacity, as attorney, accountant, or as engineer on behalf of the Corporation or if he or she serves as a Director or as an officer for any bank or savings and loan association retained as a depository for the funds of the Corporation, or any bank or savings and loan association which holds any indebtedness of the Corporation.

2. A person is disqualified from employment by the Corporation if he or she is a member of the immediate family of any Director of the Corporation.

3. As used in this policy, the term "developer of property within the service area of the Corporation" refers to any person who owns land located within an area served by the Corporation, or obligated to be served by the Corporation under a certificate of convenience and necessity, and who has divided or proposed to divide the land into two or more parts for the purpose of laying out a subdivision, or any tract of land or any addition to any subdivision, or for laying out residential lots or commercial lots, or any lots intended for any uses which require, or may require, water from the Corporation.

4. Any relationship or employment which constitutes a disqualification as set forth herein shall be considered grounds for removal or for termination of employment.

5. No Officer or Director of the Corporation shall be entitled to any compensation for or in consideration of the execution of his duties as such Officer or Director, provided, however, that the actual, reasonable expenses of an Officer or Director incurred on the business of the Corporation may, with the approval of the board of Directors, be paid to them.

6. No Officer or Director of the Corporation shall:

a. Solicit or accept or agree to accept a financial benefit, other than from the Corporation, that might reasonably tend to influence his or her performance of duties for the Corporation or that he or she knows or should know is offered with the intent to influence the Officer's or Director's performance of his or her duties;

b. Accept employment or compensation what might reasonably induce him or her to disclose confidential information acquired in the performance of official duties;

c. Accept outside employment or compensation that might reasonably be expected to create a substantial conflict between the Officer's and Director's private interest and duties of the Corporation; or

d. Solicit or accept or agree to accept a financial benefit from another person in exchange for having performed duties as an Officer or Director of the Corporation in favor of that person.

7. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, or device for general purpose or for any special purpose of the Corporation, provided, however, that the Board of Directors may reject any donation made upon a condition of restriction if in the discretion of the Board of Directors the acceptance of the donation as so conditioned or restricted will not be in the best interests of the Corporation.

8. The removal of any Director of the Corporation because of disqualification under this policy shall not affect the validity of any action taken by the Corporation through its board of Directors during the time of service by that Director, even though the Director may have been acting under the disqualification at the time of such service.

9. If at any time any Officer or Director is required to vote in his or her capacity as a Director on an issue which may create a conflict of interest, which may be deemed a conflict of interest by the board, or which may be interpreted by the membership as a conflict of interest, the Officer or Director shall abstain from voting, as a matter of record, on that issue.

10. Upon request by the board of Directors, the Corporation may advertise for bids for contracts for the purchase of material, machinery, and equipment to facilitate the work of or make improvements in the facilities of the Corporation.

Baffin Bay Water Supply Corporation Drought Contingency Plan

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE BAFFIN BAY WATER SUPPLY CORPORATION ADOPTING A DROUGHT CONTINGENCY PLAN.

WHEREAS, the Board recognizes that the amount of water available to the Baffin Bay Water Supply Corporation and its water utility customers is limited and subject to depletion during periods of extended drought;

WHEREAS, the Board recognizes that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes;

WHEREAS, Section 12.1272 of the Texas Water Code and applicable rules of Texas Natural Resource Conservation Commission require all public water systems in Texas to prepare a drought contingency plan; and

WHEREAS, as authorized under law, and in the best interest of the customers of the Baffin Bay Water Supply Corporation, the Board deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergency;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BAFFIN BAY WATER SUPPLY CORPORATION:

SECTION 1. That the Drought Contingency Plan attached hereto Exhibit "A" and made part hereof for all purposes be, and the same is hereby, adopted as the official policy of the Baffin Bay Water Supply Corporation.

SECTION 2. That the general manager is hereby directed to implement, administer, and enforce the Drought Contingency Plan.

SECTION 3. That this resolution shall take effect immediately upon passage.

DULY PASSED BY THE BOARD OF DIRECTORS OF THE BAFFIN BAY WATER SUPPLY CORPORATION ON THIS 20th day of July, 2000.


President, Board of Directors

ATTESTED TO:


Secretary, Board of Directors

**DROUGHT CONTINGENCY PLAN
FOR THE
BAFFIN BAY WATER SUPPLY CORPORATION
August 15, 2000**

Section I: Declaration of Policy, Purpose, and Intent

In order to conserve the available water supply and protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortage or other water supply emergency conditions, the Baffin Bay Water Supply Corporation, hereby adopts the following regulations and restrictions on the delivery and consumption of water.

Water uses regulated or prohibited under this Drought Contingency Plan are considered to be non-essential and continuation of such uses during times of water shortage or other emergency water supply condition are deemed to constitute a waste of water which subjects the offender(s) to penalties as defined in Section XI of this Plan.

Section II: Public Involvement

Opportunity for the public to provide input into the preparation of the Plan was provided by the Baffin Bay Water Supply Corporation by means of notice posted in the Kleberg County Courthouse and Baffin Bay Office Office.

Section III: Public Education

The Baffin Bay Water Supply Corporation, will periodically provide the public with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. This information will be provided for you in notices sent to all subscribers.

Section IV: Coordination with Regional Water Planning Groups

The service area of the Baffin Bay Water Supply Corporation is located within the Coastal Bend water planning area and Baffin Bay Water Supply Corporation has provided a copy of this Plan to the Coastal Bend regional water planning group.

Section V: Authorization

The Board of Directors is hereby authorized and directed to implement or terminate this Plan upon determination that such implementation is necessary to protect public health, safety, and welfare.

Section VI: Application

The provisions of this Plan shall apply to all persons, customers, and property utilizing water provided by the Baffin Bay Water Supply Corporation. The term "person" and "customer" as used in the Plan include individuals, corporations, partnerships, associations, and all other legal entities.

Section VII: Definitions

For the purposes of this Plan, the following definitions shall apply:

Aesthetic water use: water use for ornamental or decorative purposes such as fountains, reflecting pools, and water gardens.

Commercial and institutional water use: water use which is integral to the operations of commercial and non-profit establishments and governmental entities such as retail establishments, hotels and motels, restaurants, and office buildings.

Conservation: those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water or increase the recycling and reuse of water so that a supply is conserved and made available for future or alternative uses.

Customer: any person, company, or organization using water supplied by Baffin Bay Water Supply Corporation.

Domestic water use: water use for personal needs or for household or sanitary purposes such as drinking, bathing, heating, cooking, sanitation, or for cleaning a residence, business, industry, or institution.

Even number address: street addresses, box numbers, or rural postal route numbers ending in 0, 2, 4, 6, or 8 and locations without addresses.

Industrial water use: the use of water in processes designed to convert materials of lower value into forms having greater usability and value.

Landscape irrigation use: water used for the irrigation and maintenance of landscaped areas, whether publicly or privately owned, including residential and commercial lawns, gardens, golf courses, parks, and rights-of-way and medians.

Non-essential water use: water uses that are not essential nor required for the protection of public, health, safety, and welfare, including:

- (a) irrigation of landscape areas, including parks, athletic fields, and golf courses, except otherwise provided under this Plan;
- (b) use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle;
- (c) use of water to wash down any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
- (d) use of water to wash down buildings or structures for purposes other than immediate fire protection;
- (e) use of water to fill, refill, or add to any indoor or outdoor swimming pools or jacuzzi-type pools;
- (f) use of water in a fountain or pond for aesthetic or scenic purposes except where necessary to support aquatic life;
- (g) failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
- (h) use of water from hydrants for construction purposes or any other purposes other than fire fighting.

Odd numbered address: street addresses, box numbers, or rural postal route numbers ending in 1, 3, 5, 7, or 9.

Section VIII: Criteria for Initiation and Termination of Drought Response Stages

The Board of Directors and/or the Manager shall monitor water supply and/or demand conditions on a weekly basis and shall determine when conditions warrant initiation or termination of each stage of the Plan, that is, when the specified "triggers" are reached.

Stage 1 Triggers -- MODERATE Water Shortage Conditions

Requirements for initiation

Customers shall be requested to voluntarily conserve water and adhere to the prescribed restrictions on certain water uses annually, beginning on May 1 through September 30, defined in Section VII – Definitions.

Requirements for termination

Stage 1 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of 30 consecutive days.

Stage 2 Triggers – SEVERE Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions on certain non-essential water uses for Stage 2 of this Plan when total demand equal or exceeds 400,000 gallons per day.

Requirements for termination

Stage 2 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of 14 consecutive days. Upon termination of Stage 2, Stage 1 becomes operative.

Stage 3 Triggers – EMERGENCY Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions for Stage 3 of this Plan when the Board of Directors and/or the Manager, determines that a water supply emergency exists based on:

1. Major water line breaks, or pump or system failures occur, which cause unprecedented loss of capability provide water service; or
2. Natural or man-made contamination of the water supply source(s).

Requirements for termination

Stage 4 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of 5 consecutive days.

Section IX: Drought Response Stages

The Manager and/or the Board of Directors, shall monitor water supply and/or demand conditions on a daily basis and, in accordance with the triggering criteria set forth in Section VIII of this Plan, shall determine that a mild, moderate, severe, critical, emergency or water shortage condition exists and shall implement the following notification procedures:

Notification

Notification of the Public:

The Manager and/or Board of Directors shall notify the public by means of:
public service announcements,
signs posted in public places
direct mail to each customer/member

Additional Notification:

The Manager and/or Board of Directors shall notify directly, or cause to be notified directly, the following individuals and entities:

Fire Chief(s)
City and/or County Emergency Management Coordinator(s)
County Judge & Commissioner(s)
State Disaster District / Department of Public Safety
TNRCC (required when mandatory restrictions are imposed)
Parks / street superintendents & public facilities managers

Stage 1 Response – MODERATE Water Shortage Conditions

Goal: Achieve a voluntary 5 percent reduction in daily water demand.

Voluntary Water Use Restrictions:

- (a) Water customers are requested to voluntarily limit the irrigation of landscaped areas to Sundays and Thursdays for customers with a street address ending in an even number (0, 2, 4, 6 or 8), and Saturdays and Wednesdays for water customers with a street address ending in an odd number (1, 3, 5, 7 or 9), and to irrigate landscapes only between the hours of midnight and 10:00 a.m. and 8:00 p.m. to midnight on designated watering days.
- (b) All operations of the Baffin Bay Water Supply Corporation shall adhere to water use restrictions prescribed for Stage 1 of the Plan.
- (c) Water customers are requested to practice water conservation and to minimize or discontinue water use for non-essential purposes.

Stage 2 Response – SEVERE Water Shortage Conditions

Goal: Achieve a 10 percent reduction in daily water demand.

Supply Management Measures:

Baffin Bay Water Supply Corporation will reduce or discontinued flushing of water mains.

Water Use Restrictions. Under threat of penalty for violation, the following water use restrictions shall apply to all persons:

- (a) Irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems shall be limited to Sundays and Thursdays for customers with a street address ending in an even number (0, 2, 4, 6 or 8), and Saturdays and Wednesdays for water customers with a street address ending in an odd number (1, 3, 5, 7 or 9), and irrigation of landscaped areas is further limited to the hours of 12:00 midnight until 10:00 a.m. and between 8:00 p.m. and 12:00 midnight on designated watering days.

However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less, or drip irrigation system.

- (b) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8:00 p.m. and 12:00 midnight. Such washing, when allowed, shall be done with a hand-held bucket or a hand-held hose equipped with a positive shutoff nozzle for quick rinses. Vehicle washing may be done at any time on the immediate premises of a commercial car wash or commercial service station. Further, such washing may be exempted from these regulations if the health, safety, and welfare of the public is contingent upon frequent vehicle cleansing, such as garbage trucks and vehicles used to transport food and perishables.
- (c) Use of water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, or jacuzzi-type pools is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8 p.m. and 12:00 midnight.
- (d) Operation of any ornamental fountain or pond for aesthetic or scenic purposes is prohibited except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation pump.
- (e) Use of water from hydrants shall be limited to fire fighting, related activities, or other activities necessary to maintain public health, safety, and welfare, except that use of water from designated fire hydrants for construction purposes may be allowed under special permit from the Baffin Bay Water Supply Corporation.
- (f) Use of water for the irrigation of golf course greens, tees, and fairways is prohibited except on designated watering days between the hours 12:00 midnight and 10:00 a.m. and between 8 p.m. and 12:00 midnight. However, if the golf course utilizes a water source other than that provided by the Baffin Bay Water Supply Corporation, the facility shall not be subject to these regulations.
- (g) All restaurants are prohibited from serving water to patrons except upon request of the patron.
- (h) The following uses of water are defined as non-essential and are prohibited:
1. wash down of any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
 2. use of water to wash down buildings or structures for purposes other than immediate fire protection;
 3. use of water for dust control;
 4. flushing gutters or permitting water to run or accumulate in any gutter or street; and
 5. failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s).

Stage 3 Response -- EMERGENCY Water Shortage Conditions

Goal: Achieve a reduction in total water use as needed.

Water Use Restrictions. All requirements of Stage 2, and 3 shall remain in effect during Stage 4 except:

- (a) Irrigation of landscaped areas is absolutely prohibited.
- (b) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is absolutely prohibited.

Stage 4 Response -- WATER ALLOCATION

In the event that water shortage conditions threaten public health, safety, and welfare, the Manager and/or the Board of Directors is hereby authorized to allocate water according to the following water allocation plan:

Single-Family Residential Customers

The allocation to residential water customers residing in a single-family dwelling shall be an average of the past 12 months water usage.

Residential customers shall pay the following surcharges:

- \$ 2.00 for the first 1,000 gallons over allocation.
- \$ 2.50 for the second 1,000 gallons over allocation.
- \$ 3.00 for the third 1,000 gallons over allocation.
- \$ 3.50 for the additional 1,000 gallons over allocation.

Industrial Customers

The allocation to Industrial customers may be limited as needed.

Section X: Enforcement

- (a) No person shall knowingly or intentionally allow the use of water from the Baffin Bay Water Supply Corporation for residential, commercial, industrial, agricultural, governmental, or any other purpose in a manner contrary to any provision of this Plan, or in an amount in excess of that permitted by the drought response stage in effect at the time pursuant to action taken by Board of Directors, in accordance with provisions of this Plan.
- (b) All violations will be brought before the Board of Directors for review and fees for violations will be set by the Board of Directors.

Section XI: Variances

The Board of Directors and/or Manager, may, in writing, grant temporary variance for existing water uses otherwise prohibited under this Plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the health, sanitation, or fire protection for the public or the person requesting such variance and if one or more of the following conditions are met:

- (a) Compliance with this Plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the Plan is in effect.
- (b) Alternative methods can be implemented which will achieve the same level of reduction in water use.

Persons requesting an exemption from the provisions of this Plan shall file a petition for variance with the Baffin Bay Water Supply Corporation within 5 days after the Plan or a particular drought response stage has been invoked. All petitions for variances shall be reviewed by the general manager, or his/her designee, and shall include the following:

- (a) Name and address of the petitioner(s).
- (b) Purpose of water use.
- (c) Specific provision(s) of the Plan from which the petitioner is requesting relief.
- (d) Detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this Plan.
- (e) Description of the relief requested.
- (f) Period of time for which the variance is sought.
- (g) Alternative water use restrictions or other measures the petitioner is taking or proposes to take to meet the intent of this Plan and the compliance date.
- (h) Other pertinent information.

Variances granted by the Baffin Bay Water Supply Corporation shall be subject to the following conditions, unless waived or modified by the general manager or his/her designee:

- (a) Variances granted shall include a timetable for compliance.
- (b) Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.

No variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.