

BYLAWS

of

_____ **WATER SUPPLY CORPORATION**

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

ARTICLE I

The President shall preside and vote at all Members' and Directors' meetings. The President shall perform all other duties that usually pertain to the office or are delegated by the Board of Directors.

ARTICLE II

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

ARTICLE III

The Secretary-Treasurer shall have custody of all monies, records and securities of the Corporation. The Secretary-Treasurer shall keep minutes of all meetings of the Corporation. All monies of the Corporation shall be deposited by the Secretary-Treasurer in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer or assistant or deputy secretary, and the President or a designee of that office. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed by resolution passed by the Board of Directors or Members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties pertaining to that office.

The position of the Secretary-Treasurer, and other Board positions and/or employees entrusted with receipt and disbursement of funds, shall be placed under a fidelity bond in an amount which shall be set from time to time, but not less than once each year, by the Board of Directors. The fidelity bond coverage amount shall approximate the total annual debt service requirements for all USDA Rural Development, Rural Utilities Service (RUS) loans and be evidenced by a position fidelity schedule bond as acceptable to USDA Rural Development, RUS, or its successor agencies and assigns.

ARTICLE IV

Section 1. A person must be a member of the Corporation and at least 18 years old in order to serve as a Director. A person is not qualified to serve as a director if the person has been determined by a final judgment of a court exercising probate jurisdiction to be totally mentally incapacitated; or partially mentally incapacitated without the right to vote; or has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.

Section 2. The Board of Directors shall consist of _____ Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on _____¹, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer from among the Directors. The Directors shall be elected by the Members at the Members' meetings provided for in Article VI of the Bylaws. The Directors shall be divided into three (3) classes, each class to be as near as equal in number as possible. The terms of the Directors of the first class shall expire at the first annual meeting of the Members after their election; the terms of the Directors of the second class shall expire at the second annual meeting after their election; and terms of the Directors of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification, the number of Directors equal to the number of the class whose term expires at the

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

time of such meeting shall be elected to hold office until the third succeeding annual meeting. Directors, as such, shall not receive any stated salary for their services, except as provided for by state law.

Not later than the 60th day after a Director dies, resigns or is determined by the Board to not meet one of the qualifications set forth in Section 1, a successor who meets those qualifications shall be appointed by a majority of the remaining Directors to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the remaining balance of the previously vacated term.

Section 3. Directors may be removed from office in the following manner, except as otherwise provided in Article V. Any Member or Director may present charges against a Director by filing such charges in writing with the Secretary-Treasurer of the Corporation. The charges must be accompanied by a petition signed by at least ten (10) percent of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those voting if a quorum is present. The Director(s) against whom such charges have been presented shall be informed in writing of such charges at least twenty (20) days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges shall have the same opportunity. If the removal of a Director(s) is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of a majority of the Members present and voting at such meeting, in accordance with the written annual or special meetings procedures as adopted by the Board. A vacancy in any office thus created shall be filled by the Board of Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 4. The President of the Board, or Vice-President, shall preside at any meeting of the Members convened to consider removal of a Director as provided under Section 2, unless the President is the subject of charges, in which event the Vice-President shall preside. In the event

both the President and the Vice-President are the subject of charges, those Directors who are not the subject of any charges shall appoint one of the other Directors to preside over the meeting. Any meeting convened to consider the removal of a Director shall be conducted in accordance with the procedures prescribed by the Board. The fact that the President, Vice-President, or other Officer or Director has been made the subject of charges does not prevent such individual from continuing to act as Officer and/or Director. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 5. The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interests of the Membership. Such policy, at a minimum, shall be in conformance with the provisions of the Texas Business Organizations Code pertaining to duties and responsibilities of the Board of Directors.

ARTICLE V

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

Section 2. Any Director failing to attend two (2) consecutive meetings may be given written notice by the balance of the Board of Directors that failure by said Director to attend a third consecutive meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to removal of said Director from the Board. A successor shall be appointed by a majority vote of the Directors remaining to serve until the next regular or special

Membership meeting, at which time the general Membership shall elect a successor for the balance of the term.

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

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

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

accountants, or other persons provided the Directors reasonably believes such matters to fall within such person's professional or expert competence. Nevertheless, Directors must disclose any knowledge they may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE VI

Section 1. There shall be a regular meeting of the Members annually, on _____,² to transact all business that may be properly brought before it.

Section 2. The Board of Directors shall adopt, and from time to time may revise, written procedures for conducting annual or special Membership meetings, including notification to the Membership of the proposed agenda, location, and date of the meeting; election procedures; approval of the ballot form to be used; and validation of eligible voters, ballots, and election results. At least thirty (30) days before the date of a Membership meeting that includes an election, the Corporation shall mail to each member of record at the address last known to the Corporation written notice of such meeting indicating the time, place, and purpose of such meeting; the election ballot; and for director elections, a statement of each candidate's qualifications, including biographical information as provided in each candidate's application. The election ballot for director elections must include the number of directors to be elected and the names of the candidates.

Failure to hold or call an annual or special meeting in accordance with these Bylaws shall give each Member rights to compel the Board of Directors to properly hold an annual or special meeting of the Membership.

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

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

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

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

Section 5. The Board of Directors shall establish a standing Credentials Committee of three (3) Members, of which the Secretary-Treasurer shall be the chairperson. This committee shall at no time have sufficient board members appointed to constitute a quorum of the Board of Directors. This committee, in accordance with procedures adopted by the Board under Section 2, shall recommend for Board approval the election procedures and all related forms and notices, recommend for Board approval a person to fill the role of independent election auditor, ensure that the election procedures are implemented, and serve other functions designated in the Corporation's election procedures. Should the individual holding the office of Secretary-

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

Section 6. After fixing a date for the notice of a meeting, the Board of Directors shall prepare an alphabetical list of the names of all voting members who are entitled to vote as of the record date of the meeting. The list must show the address of each voting member. No later than two (2) business days after the date notice is given of the meeting, and continuing through the meeting, the list of voting members must be available for inspection by any member entitled to vote at the meeting for the purpose of communication with other members concerning the meeting at the Corporation's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. Any voting Member, or voting Member's agent or attorney, shall be allowed, on written demand, to inspect and, at a reasonable time and at their expense, copy the list. Further, the Board shall make the list of voting Members available at the meeting, and shall allow inspection of such list by any voting Member or voting Member's agent or attorney at any time during the meeting, including any adjournments thereof.

ARTICLE VII

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

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members, and that such special meeting is otherwise noticed, as required under Texas Business Organizations Code Section 22.156, and as provided under Article V of these Bylaws. Such notice shall specify the time, place and purpose of the meeting, and shall be addressed and mailed to each of the Members at their address last known to the Corporation, personally delivered to each Member, or sent by facsimile to each Member.

Emergency meetings of the Directors may be held on rare occasions and only when clearly authorized by the Texas Open Meetings Act. Notice of such emergency meeting shall be provided under Article V of the Bylaws and the Texas Open Meetings Act, at least two hours before the meeting is convened. It shall be the responsibility of the President, or a designee of that office, to ensure that proper notice is posted and Directors are properly notified. In no event shall any emergency meeting of the Directors be convened where the business of such meeting could be considered at a regular or special meeting of the Directors receiving at least seventy-two (72) hours notice as provided under Article V of these Bylaws.

ARTICLE VIII

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the Memberships of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with the Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid and, provided also, that the Directors of the Corporation may allocate to sinking fund(s) and reserve accounts such amount of profits as they deem necessary for maintenance, operation, capital improvements, expansions and replacements of all facility components, as provided by Section 67.008 (d) of the Texas Water code. Funds allocated by the Board to a sinking fund for replacement, amortization of debts, and the payment of interest that are not required to be spent in the year in which deposited shall be invested in accordance with the provisions of Section 67.014 (b) of the Texas Water Code.

ARTICLE IX

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in an institution insured by the State or Federal Government, or invested in readily marketable securities backed by the full faith and credit of the United States of America, a reserve account separate and apart from other fund accounts of the Corporation.

Securities so purchased shall be deemed at all times to be part of the reserve fund account. There shall be deposited in such fund the sum as required by a total of all loan resolutions executed by the Corporation. Such deposits shall be made monthly and shall continue until the total amount deposited equals the sum as required by the executed loan resolutions provided, however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

Withdrawals may be made from this fund only upon prior written approval from USDA Rural Development, RUS. Approval shall be made only for emergency repairs, obsolescence of equipment, improvements to facility, and for making up any deficiencies in revenue for loan payments.

ARTICLE X

Section 1. The Corporation shall have Members as defined by the Texas Water Code. All customers of the Corporation must hold a Membership or obtain their service through a Membership. A person or entity that holds an interest in property solely as security for the performance of an obligation or that only builds on or develops the property for sale to others is not required to hold a Membership as a condition to receive service on a limited basis. Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served, or which may reasonably be served by the Corporation, shall have the right to become a Member of the Corporation upon payment of the Membership fee hereinafter provided and upon compliance with the Corporation's conditions of water and/or sewer service as provided for in its published charges, rates and conditions of service. Membership shall not be denied because of the applicant's race, color, religion, sex, age, marital status, familial status, handicap, income from Public Assistance, disability or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis.

Section 2. The Membership fee shall be as determined by the Board of Directors. Payment of Membership fee or transfer of Membership shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of Membership to continue to qualify for service to an existing connection to the system by meeting the conditions

for water and/or sewer as provided in the Corporation's published rates, charges, and conditions of service. A person may own more than one Membership, but each Member shall be entitled to only one vote regardless of the number of Memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

Section 3. The Membership fee may be revised by the Board of Directors as the Board may determine to be appropriate. In determining the amount of the Membership fee, however, the Board shall ensure that the fee is sufficient to establish the potential Member as being legitimately interested in securing water and/or sewer service from the Corporation for such potential Members' own needs. Furthermore, the Board shall determine and administer such fee in a manner or in an amount which does not unreasonably deny service to financially deprived potential Members. In no event, however, shall the Membership fee exceed an amount equal to the sum of twelve (12) charges of the Corporation's minimum monthly water and/or sewer rate unless previously approved by USDA Rural Development, RUS. Membership fees will be refundable.

ARTICLE XI

Where necessary for determining those Members entitled to notice of, or those Members entitled to vote at any meeting or any adjournment thereof, or where necessary to make a determination of Members for any other proper purpose, ownership of Memberships shall be deemed to be vested in those persons who are the record owners of Memberships as evidenced by the Membership transfer book on the 15th day of the month preceding the month of the date upon which the action requiring such determination is to be taken. Nothing herein shall preclude the holder of a Membership from mortgaging such Membership or, upon notification of the Corporation, preclude the holder of such mortgages from exercising legal rights pursuant to such mortgages upon proper notice to the Corporation.

ARTICLE XII

Section 1. In order to ensure that business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the Members of the Corporation, Membership in the Corporation shall be transferred in accordance with the following:

(a) Except as herein provided, Membership in the Corporation shall be deemed personal estate and a person or entity that owns any stock of, is a Member of, or has some other right of participation in the Corporation may not sell or transfer that stock, Membership, or other right of participation to another person or entity except: (1) by will to a transferee who is a person related to the testator within the second degree by consanguinity; (2) by transfer without compensation to a transferee who is a person related to the owner of the stock or other interest within the second degree by consanguinity; or (3) by transfer without compensation or by sale to the Corporation.

(b) Subsection (a) of this section does not apply to a person or entity that transfers the Membership or other right of participation to another person or entity as part of the conveyance of real estate from which the Membership or other right of participation arose.

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

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

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

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

ARTICLE XIII

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

ARTICLE XIV

Notwithstanding the ownership of a Membership certificate, all Members shall be billed, disconnected, or reconnected, and otherwise shall receive service in accordance with the written policies of the Corporation, including the tariff of the Corporation. In the event a member should surrender the Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water and/or sewer service shall be discontinued and the obligation to pay for water and/or sewer service shall terminate except as for the minimum charge for the current month and the charge for water and/or sewer used during the current month, and except as for any prior unpaid amounts due the Corporation. Any remaining balance from the membership fee will be refunded to the former member. In the event Membership is terminated, cancelled,

withdrawn, or surrendered, whether voluntarily or involuntarily, the former Member's rights and interest in the assets of the Corporation will not be forfeited.

ARTICLE XV

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with the Corporation insofar as practicable. Any indebtedness due the Corporation by a Member for water and/or sewer service or otherwise shall be deducted from such Member's share prior to final distribution. By application for and acceptance of Membership in the Corporation, each Member agrees that upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that Member shall be in turn immediately transferred by the individual Member to an entity that provides a water supply or wastewater service, or both, that is exempt from ad valorem taxation. By application for and acceptance of membership in the Corporation, each Member grants the Corporation's Board of Directors that Member's permission to execute all instruments and documents necessary to effectuate such transfers in order to preserve the Corporation's statutory rights to exemption from income and ad valorem taxation.

ARTICLE XVI

The fiscal year of the Corporation shall be _____ to _____.

ARTICLE XVII

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

ARTICLE XVIII

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

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

ARTICLE XIX

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

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

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by the Public Information Act, Chapter 552, Texas Government Code, including any amendments thereto, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.

In the event of any conflict between the provisions of the Open Record Public Information Act and the provisions of the Bylaws, the provisions of the Public Information Act shall prevail.

ARTICLE XX

These Bylaws may be altered, amended, or repealed by a vote of a majority of the Members voting at any regular meeting of the Members, or at any special meeting of the Members called for that purpose, except that the Members shall not have the power to change the purpose of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provisions for the safety and security of the property and funds of the Corporation or its Members, or to deprive any Member of rights and privileges then existing, or so to amend the Bylaws as to effect a fundamental change in the intents and purposes of the Corporation. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the USDA Rural Development, RUS, or its successor agencies and assigns, these Bylaws shall not be altered, amended, or repealed without the prior written consent of the State Director of the USDA Rural Development, RUS, for the State of Texas.

ARTICLE XXI

The seal of the Corporation shall consist of a circle within which shall be inscribed
“_____ WATER SUPPLY CORPORATION.”

ARTICLE XXII

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

ARTICLE XXIII

If newly formed Corporation:

The above Bylaws were adopted by a majority vote of the initial Board of Directors of the _____ Water Supply Corporation, at a meeting held on the _____ day of _____, 20____.

If an existing Corporation:

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

President

Attest:

Secretary-Treasurer

ARTICLES OF INCORPORATION

OF

_____ **WATER SUPPLY CORPORATION**

THE STATE OF TEXAS

COUNTY OF _____

KNOW ALL MEN BY THESE PRESENTS:

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

ARTICLE I

The name of the Corporation is _____ Water Supply Corporation.

ARTICLE II

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

ARTICLE III

The period of its duration is perpetual.

ARTICLE IV

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

ARTICLE V

The street address of the initial registered office of the Corporation is _____, and the name of its initial registered agent at such address is _____.

ARTICLE VI

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

NAME	ADDRESS	CITY
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

ARTICLE VII

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

ARTICLE VIII

The name and street address of each incorporator is:

NAME	ADDRESS	CITY
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

ARTICLE IX

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

IN WITNESS WHEREOF, we have hereunto set our hands, this the _____ day of _____, 20____.

THE STATE OF TEXAS

COUNTY OF _____

I, _____, a Notary Public, do hereby certify that on this
_____ day of _____, 20____, personally appeared before me:

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

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

Notary Public
State of Texas

(Notarial Seal)

USDA, RURAL UTILITIES SERVICE
WATER AND WASTE
PROCESSING CHECKLIST FOR NONPROFIT CORPORATION

Applicant:	Applicant Contact Person:	Telephone:
Engineering Firm:	Project Engineer:	Telephone:
TYPE OF REQUEST: Water Sewer Water & Sewer Other: _____	Applicant Address: _____ _____ _____	Engineer Address: _____ _____ _____

If subsequent loan, the following should be brought forward:

- a) Articles of Incorporation;
- b) Bylaws with State Office approval memo

STEP 1 – Pre-Application

Initial application and supporting material - Applicant will submit Items 1-9 to the Area Office (AO).

Forms may be obtained at: <http://www.usda.gov/rus/water/wwforms.htm> and

Texas forms at: <http://www.rurdev.usda.gov/tx/utilities.htm>

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
1	3	Notice of Intent to File Application – 1780.19(a)	Publication	Applicant		
2	3	Application for Federal Assistance (include Tax ID & DUNS No.) 1780.33(a)	SF 424.2, SF 424C & 424D	Applicant		
3	3	Project Description to include service area map - 1780.11(a)		Applicant		
4	5	Organizational Documents - 1780.7(3) & 1780.33(d) If current borrower, provide amendments since last approval memo, if applicable.	Articles & Bylaws RB-TX 1780-20 & RB-TX 1780-20A & Amendments	Applicant		
5	3	Council of Governments or State Inter-Governmental Review and Recommendations - 1780.33(b)	Letter	Applicant		
6	1	Current Audit or Financial Report 1780.33(e)		Applicant		
7	3	Supporting Documentation on Existing Debt other than RD debt– 1780.33(e)	Letters Bank Statements	Applicant		
8	3	Verification of inability to obtain Credit at reasonable rates & terms – minimum 2 lenders – 1780.33(d) & N/O unnumbered letter dated 6/30/04	SI 1780-6 Attachment 2 and lender contacts	Applicant & AO		
9	3	Certification for commercial credit and outstanding judgments – 1780.7(d) , (g) and .33(d)	RB 1780-22	Applicant		

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
10		Has the Applicant applied with another Agency/Lender for this proposed project? If so, whom		Applicant/Engineer		
11	3	Initial Processing Conference 1780.39(a)	Initial Processing Conference Guide Form	AO/Appl/Engineer		
12	3	Project Selection Criteria 1780.17	RB 1780-1	AO/SO		
12a or 12b	Attach to RB 1780-1 Attach to RB 1780-1	Evidence Regarding Median Household Income of the Service Area - 1780.1(b) & .17(c) Documentation for Income Survey - 1780.1(b) (if applicable)	Copy of Census or other data used Approval Memo If applicable	AO AO		
12c	Attach to RB 1780-1	Population in Service Area - 1780.17.(a)	Copy of Census or other data used	AO		
13	3	Review most recent Debarment Suspension List to insure Applicant's and their representative's names do not appear. RD 1940-M, 1940.606 (b) https://www.epls.gov/	Printout	AO		
14	3	CAIVRS https://entp.hud.gov/caivrs/public/home.html	Printout	AO		
15	3	Identify known Relationships/Associations with Agency Employee - 1780.1(f)	Memo	Applicant/AO		
16	3	Initial User Analysis	Worksheet Guide Form	AO		
17		Input data in CPAP	CPAP	AO		
18	4	Initial Application Eligibility Determination & Recommendation to State Office	Memo	AO		
19	4	Submit File of Items 1-18 to State Office for Pre-Application Review				
20	4	Evidence of Initial Application Review (State Office Comments)- 1780.32(b)	Memo	SO		
21	4	Notification to Applicant of Initial Application Review Determination	Letter	AO		
22	4	Application Conference Discuss target dates of Steps 2 & 3 1780.39(a)	RCR	AO		
23		Update status in CPAP	CPAP	AO		

The Area Office should submit the above items for State Office (SO) review filed in an 8-position folder. **All running case records (RCR) should be filed on top in position 3 in date order.**

AO = Area Office or Sub-Area Office
SO = State Office

SI = RUS Staff Instructions
RB = RUS Bulletin

Step 2 – Preliminary Engineering Report & Environmental Report

APPLICANT AND ENGINEER WILL ASSEMBLE THE FOLLOWING MATERIALS AND SUBMIT AN ORIGINAL AND ONE COPY TO THE AREA OFFICE. FOR QUESTIONS OR CONCERNS ABOUT PREPARING THE PRELIMINARY ENGINEERING REPORT OR ENVIRONMENTAL REPORT, PLEASE CONTACT THE STATE OFFICE.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
24	3	Site Visit — SI 1780-2(2.4)(a)	RCR	AO		
25	6	Agreement for Engineering Services - 1780.39(b)	EJCDC, RB 1780-26. RB-TX 1780-26	Applicant/ Engineer		
26	6	AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion" - 1780.33(h)	AD-1048	Engineer		
27	6	Certifications for Contracts, Grants, and Loans (Regarding Lobbying) – RD 1940-Q & 1780.33(h)	RD 1940-Q, Exhibit A-1 or SF-LLL, if applicable	Engineer		
28	6	Forward to SO recommending approval of Agreement 1780.39(b)(1)	Memo	AO/SO		
29	PER File	Preliminary Engineering Report – 1780.33(c) – 2 copies	TX Guide in Preparing PER, TX RUS Instruction 1780-C	Engineer		
30	6	Forward to one copy to SO recommending approval of PER	Memo	AO		
31	6	Preliminary Engineering Report Approval by State Engineer	Memo	SO		
32	ENV File	Environmental Report - 1780.33.(f) 2 copies	RB 1794A-602	Applicant/ Engineer		
33	ENV FILE	Forward one copy to SO recommending approval ER	Memo	AO		
34	ENV File & 3	Environmental Report Approval by State Environmental Coordinator (SEC)	Memo	SEC		
35	ENV File	Environmental – Public Notice and Publisher's Affidavit (if applicable)	RB 1794A-602 Exhibit B.1 to B.4	Applicant/ Engineer		
36	ENV File	Environmental – FONSI Letters/Documents (if applicable)	SI 1794-1 Exhibit D	SEC		
37	ENV File & 3	Environmental – FONSI Newspaper clips and Publisher's Affidavit (if applicable)	SI 1794-1 Exhibit E& F	Applicant/ Engineer		
38		Update Environmental Approval dates in CPAP	CPAP	AO		

STEP 3 – Application

APPLICATION AND SUPPORTING MATERIAL SUBMITTAL – THE APPLICANT WILL SUBMIT ONE COPY OF ALL ITEMS LISTED IN STEP 3. THE AO AND SO WILL DETERMINE THE TYPE AND AMOUNT OF ASSISTANCE IT IS WILLING TO CONSIDER AND THE CONDITIONS THE APPLICANT MUST MEET TO RECEIVE ASSISTANCE. ALL SUBMITTALS WILL BE CONSIDERED FOR A GUARANTEED AND DIRECT LOAN OR COMBINATION, AND THEN GRANT ASSISTANCE WILL BE CONSIDERED.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
39	3	Notice of Public Information Meeting and Minutes – 1780.19(b)	Publication and Minutes	Applicant		
40	3	Certification Regarding Debarment or Suspension - 1780.33(h)	AD-1047	Applicant		
41	3	Certification Regarding a Drug-Free Workplace - 1780.33(h)	AD-1049	Applicant		
42	3	Certifications for Contracts, Grants, and Loans (Regarding Lobbying) – RD 1940-Q & 1780.33(h)	RD 1940-Q, Exhibit A-1 and SF-LLL, if applicable	Applicant		
43	5	Current list of Board of Directors, Term and Expiration Date	Memo	Applicant		
44	1	Audit Reports for previously 3 years	Audits	Applicant		
45	3	Proposed Operating Budget - 1780.33(h) & 1780.41(2)	RD 442-7	Applicant		
46	RCR	Inequities within Service Area (pending disputes) - 1780.11	RCR	AO		
47	3	Certification of Users by Rural Development Manager	RB-TX 1780-40	AO		
48	3	Update Lender contacts from Item 8 (info cannot be 6 months old) SI 1780-6 and Commentary	Lender Letters	AO		
49	3	Documentation relative to Health or Sanitary problems - 1780.10(c)(1) and 1780.13(b)(1)	Letter- applicable for 75% grant or Poverty rate	Applicant		
50	5	Water Purchase Contract or Sewage Treatment Contract w/ approval memo– if applicable (if new contract, must submit DRAFT prior to funding) 1780.62 or 1780.63	Guide for Water Purchase RD 442-30	Applicant/ Attorney		
51	4	Submit Water Purchase Contract to SO for review prior to loan submittal If applicable.	Memo	AO		
52	3	Evidence of Availability of Other Funds – 1780.44(f) Leveraged Funds	Memo	Applicant AO		
53						

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
54	3	Evidence of Overall Review of Applicant's Financial Status – SI 1780-2(2.4)(c)	RCR	AO		
55	5	Verify with Texas Comptroller of Public Account the certification of account status - 1780.33(e) http://ecpa.cpa.state.tx.us/	Computer printout	AO		
56	3 Attach to Project Summary	Cost Estimate of Proposed Project (info cannot be 6 months old prior to requesting funds)	Cost Estimate in PER	Engineer		
57	3	Update Project Summary and Underwriting - 1780.41	Print Automated Forms In CPAP	AO		
58	4	Transmittal Letter to SO with recommendations/comments/history	Memo	AO		
59		Submit File to State Office for funding		AO		

STEP 4 – State Office Review

STATE OFFICE WILL PREPARE THE LETTER OF CONDITIONS FOR AREA OFFICE. THE AREA OFFICE WILL PREPARE THE NECESSARY FORMS STATED IN THE LETTER OF CONDITIONS AND DELIVER TO THE APPLICANT FOR CONSIDERATION.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Date Completed
60	3	Prepare Letter of Conditions - 1780.41(a)(5)	RB 1780-19	SO	
61	3	Prepare Proposed Budget	RD TX 1942-7	SO	
62	3	Prepare briefing of proposed project for Project Announcement – SI 1780-2(2.7)(e)	Memo	SO	
63	4	National Office Approval (If applicable)	Memo	NO	
64	4	Evidence of Full Application Review (State Office Comments authorizing the issuance of the LOC and 1940-1) - 1780.32(b)	Memo	SO	
65					

STEP 5 – Deliver Letter of Conditions

THE AREA OFFICE WILL SCHEDULE AN APPOINTMENT TO DELIVER THE LETTER OF CONDITIONS ALONG WITH THE ATTACHMENTS. THE LOAN SPECIALIST MUST READ OVER THE CONTENTS OF THE LETTER AND ANSWER ANY QUESTIONS THE APPLICANT MAY HAVE.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
66	3	Letter of Conditions (LOC) Signed by the AD or authorized RD representative – 1780.41(a)(5)	LOC	AO		
67	3	Letter of Intent to Meet Conditions – Discuss timeframe to meet conditions- 1780.41(a)(6)	RD 1942-46 Automated	Applicant		
68	2	Request for Obligation of Funds – 2 originals must be signed 1780.41(a) Under item 44, Comments & Requirements – <u>List Security requirements</u> and add “Approval of financial assistance is subject to terms of the Letter of Conditions dated _____.”	RD 1940-1 Automated	Applicant & Agency		
69	3	Applicant Certification, Federal Collection Policies for Consumer or Commercial Debt - 1780.33(h)	RD 1910-11	Applicant		
70	3	Equal Opportunity Agreement – RD Inst. 1901-E	RD 400-1	Applicant		
71	3	Assurance Agreement – RD Inst. 1901-E	RD 400-4	Applicant		
72	5	Loan Resolution Security Agreement – 1780.39(f)	RB 1780-28	Applicant		
73	5	Water and Waste System Grant Agreement (if applicable)	RB 1780-12	Applicant		
74	3	Credit Alert Interactive Voice Response System (CAIVRS) https://entp.hud.gov/caivrs/public/home.htm Update CPAP	website	AO		
75						
76						
77	4	Submit 2 original signed Obligation forms to SO for approval, along with copy of budget, letter of intent, and 1 st & last page of LOC (dated & signed)	RD 1940-1	AO		
78	2	Evidence Applicant Notified of Approval - 1780.41(b)	Letter	SO		

STEP 6 – Pre-Loan Closing

NOTE: IT IS VERY IMPORTANT THAT THE APPLICANT, ENGINEER, ATTORNEY, AND AREA OFFICE COORDINATE THEIR EFFORTS AT THIS TIME. EVERYONE WILL BE OBTAINING AND FINALIZING A VARIETY OF INFORMATION TO GET THIS PROJECT TO THE BIDDING STAGE. NOTE: BIDDING WILL NOT BE AUTHORIZED UNTIL CLOSING INSTRUCTIONS HAVE BEEN OBTAINED FROM THE OFFICE OF GENERAL COUNSEL (OGC).

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
79	5	Legal Services Agreement - 1780.39(b)	RB-TX 1780-7	Applicant/ Attorney		
80	5	Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - 1780.33(h)	AD-1048	Attorney		
81	5	Certifications Regarding Lobbying - 1780.33(h)	RD 1940-Q, Exhibit A-1	Attorney		
82	5	Check Debarment/Suspension (Attorney)- https://www.epls.gov/	Printout from Website	AO		
83	5	Legal Services Agreement - 1780.39(b)(2) – Concurrence from SO	Approval letter	SO		
84	3	Agreement Between Applicant and Individual Users - 1780.9(g)(2) (if applicable)	Agreement	Applicant		
85	5	Copy of Membership Certificate		Applicant		
86	3	Management Plan, Facility Maintenance Plan, proposal for the maintenance of accounts & records and auditor's agreement – See LOC 1780.39(b)(4) & SI 1780-4(1)(ii)		Applicant		
87	3	Management Agreement/Agency Concurrence - 1780.39(b)(4)	RCR or Letter	LO		
88	5	Resolutions of any environmental mitigation measures – See Letter of Conditions & Environmental Report 4.0 Summary of Mitigations	Resolution	Applicant		
89	5	Water Purchase Contract or Wastewater Treatment Contract – Concurrence 1780.62 or 1780.63 (if applicable)	RD 442-30 or other format	Applicant & AO/SO		
90	5	Water User Agreement/Sewer User Agreement – 1780.39(c)	RB TX 1780-9	Applicant		
91						

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
92	Easement Folder	Right-of-Way Easements - 1780.44(g)(1)	RD TX 442-8 or RD TX 442-9	Applicant/ Attorney		
93	Easement Folder	Right-of-Way Map (Approved by President, Attorney, & Engineer)	Map	Engineer		
94	5	Right-of-Way Certificate by Corporation	RD 442-21	Applicant		
95	5	Opinion of Counsel Relative to Right-of-Way – 1780.44(g)(1)	RD 442-22	Attorney		
96	5	Right-of-Way Certificate by Engineer	Letter	Engineer		
97	Easement Folder	State and County Road permits (if located in several counties, obtain permits from each county)		Engineer		
98	Easement Folder	Railroad Permits (if applicable) (Must be assigned to USA)		Engineer		
99	5	Certificate of Convenience and necessity (CCN) (amended CCN is required if lines are extended outside the current service area)	CCN	Engineer		
100	5	Water and/or Wastewater Treatment Permits from Regulatory Agency (for surface water/sewer treatment projects if applicable)		Engineer		
101	5	Water Rights (if applicable) - 1780.44(g)(3)		Attorney		
102	5	Option to Purchase Real Property (if applicable (prefer proposed Warranty Deed) - 1780.44(g)	RD 440-34 or similar format	Attorney		
103	5	Warranty Deed, Leases and/or Site Easements (if applicable) (no reverter provisions –original or copy) – 1780.44(g)	Conveyance Instrument	Attorney		
104	5	Preliminary Title Opinion or Commitment for Title Insurance (must cover land costs plus site improvements) 1. Real Estate owned by applicant 2. Real Estate to be acquired 3. Lease (if applicable) 4. Ingress-Egress Easement (if applicable) 5. Sanitary Control Easement (if applicable) – 1780.44(g)	RD 1927-9	Attorney		
105	5	Certificate from Secretary of State of Lien Search (requested by UCC-11)		Attorney		

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
106	6	Approval of Final Plans, Specs, Unexecuted contract document by SO - 1780.61	Memo	Engineer SO		
107	6	Approval of Final Plans & Specs by State Regulatory Agency (TCEQ) - 1780.61	Memo	Engineer		
108	6	Resume of Resident Inspector - 1780.76(c)	Resume	Applicant Engineer		
109	6	Approval of Resident Inspector from SO - 1780.76(c)		SO		
110	2	Request for Pledge of Collateral (if applicable) 1780.45(e)(2)&(3)		LO		
111	2	Evidence that Collateral is Pledged (if applicable) 1780.45(e)		LO		
112	2	Electronic Funds Transfer/Automated Clearing House (EFT/ACH) and setup in ADPS - 1780.45(b)(2)	SF-3881	Applicant/ Financial Institution		
113	3	Proposed updated operating budget	RD 442-7 or similar form	Applicant		
114	3	Rate Study Analysis based on the proposed loan - Letter of Conditions Contact a Technical Assistance Provider		Applicant		
115	3	Certification of Vulnerability Assessment (VA) - Letter of Conditions - Contact a Technical Assistance Provider		Applicant		
116	3	Certification of Emergency Response Plan (ERP) - Letter of Condition Contact a Technical Assistance Provider		Applicant		
117		Update CPAP for VA & ERP plans. Certification must be every 3 years from date of certification.	CPAP	AO		
118	5	Transmittal Letter to S/O recommending Closing Instruction (Follow applicable format in submitting docket)	Memo	AO		
119	5	Request Office of General Counsel to issue Closing Instructions	Memo	SO		
120	5	Closing Instructions issued with special requirements to LO and authorization to advertise & receive bids	Memo	SO		
121	4	Provide copies of Closing Instructions to Applicant, Attorney, and Engineer	Memo	AO		

STEP 7 - BIDDING

APPLICANT, ENGINEER, AND ATTORNEY SHOULD COMPLETE THE FOLLOWING ITEMS. REFER TO TEXAS RUS INSTRUCTION 1780, SUBPART C FOR ADDITIONAL GUIDANCE.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
122	6	Once all requirements can be met Authorize Engineer to Advertise to Bid the Project	Memo	AO		
123	3	Interim Financing — Evidence of Commitment from Lender and Notice of Agency's Commitment (if applicable) - 1780.39(d)	RB 1780-10	Applicant/AO		
124	5	Initial Compliance Review – pre-loan review – RD 1901-E & 1780.44(c)	RD 400-8	AO		
125	3	Check Debarment/Suspension (Applicant)- RD 1940-M, §1940.606(b) https://www.epls.gov/	Printout	AO		
126	3	CAIVRS (applicant) https://entp.hud.gov/caivrs/public/home.html	Printout	AO		
127	2	Authorization Agreement for PreAuthorized Payment (PAD) – on all loans outstanding – update CPAP	RD 3550-28	Applicant/Financial Institution		
128	3	Verification of Applicant Contribution or leveraged fund (if applicable) 1780.44(b)	Memo	Applicant		
129	6	Pre-Bid Opening Teleconference AO should notify State Office of teleconference - TX RUS 1780, Subpart C	Guide Form	AO/Engineer		
130	6	Bid Opening – Rural Development representative must attend – 1780.72(b)(2)		Engineer		
131	Construct File	Submit Bib Tabulations to SO and recommendation of award – TX RUS 1780, Subpart C & 1780.61(b)		Engineer		
132	Construct File	Executed Contract Documents - AO include assembly checklist TX RUS 1780, Subpart C * * * * * Contract equal or exceeds \$25,000 – Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion	AD-1048 w/ each Contract	Engineer Contractor		

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
133	Construct File	Check Debarment/Suspension (Applicant, Engineer., Contractor)- https://www.epls.gov/ RD 1940-M, §1940.606(b)	Printout from Website	AO		
134	6	Legal Certification Regarding Adequacy of Contract Documents - 1780.61(b)	RB 1780-14 Page 7	Applicant/ Attorney		
135	6	Contract Review and Approval by SO	Memo	SO		
136	Construct File	Construct Test Wells (if applicable) prior to bidding of distribution lines TX RUS 1780 Subpart C		Engineer		
137	Construct File	Approval of Water Source by State Regulatory Agency (if applicable) TX RUS 1780 Subpart C	Memo	Engineer		
138	Construct File	Revised Project Cost Estimate based on award contracts		Engineer		
140	2	De-obligate excess funds prior to closing or provide RCR of justification. 1780.44(e)	RCR or RD 1940-10	AO		
141	7	Evidence of Insurance—Property Insurance, General Liability, Flood, and Worker's Compensation - 1780.39(g)	List of Policies or Other Documents	Applicant		
142	7	Fidelity or Employee Dishonesty Bond - 1780.39(g)(3)	Copy of Bond	Applicant		
143						

STEP 8- LOAN CLOSING

IF THE AWARDS OF THE CONTRACTS ARE WITHIN THE FUNDS AVAILABLE, THE AREA OFFICE MAY PROCEED WITH CLOSING. IN THE EVENT ADDITIONAL FUNDS ARE NEEDED, REFER TO THE “GUIDE FOR COST OVERRUNS.”

- A. AREA OFFICE WILL REVIEW THE CHECKLIST, LETTER OF CONDITIONS, AND OGC'S CLOSING INSTRUCTIONS. IF IT IS DETERMINED THAT ALL CONDITIONS CAN BE MET, THEY SHOULD MAKE ARRANGEMENTS FOR THE CLOSING AND FOR A PRE-CONSTRUCTION CONFERENCE.
- B. CLOSING AND PRE-CONSTRUCTION CONFERENCES WILL BE HELD AND ALL APPLICABLE REQUIREMENTS, INCLUDING THE FOLLOWING WILL BE COMPLETED.
- C. AREA OFFICE WILL MONITOR USE OF FUNDS WITH A TRACKING SHEET BASED ON THE CONTRACT DOCUMENTS AND REVISED COST ESTIMATE.

Item No.	Folder File Position	Document	Document or Form Number	Execute By	Date Completed
144	5	Closing Instructions from SO and OGC. Appropriate parties must sign at closing	Closing Instructions	AO/ Attorney	
145	2	Promissory Note	RD 440-22	Applicant	
146	5	Deed of Trust – USI	RD TX 1927-1	Applicant	
147	5	Certification of the Loan Resolution Secretary of the Board must sign at closing	RB 1780-28 Certification	Applicant	
148	5	Other Security Instruments as prepared by OGC	OGC Closing Instructions	Applicant	
149	Construct File	Pre-Construction Conference (once closing is complete) 1780.76(a)	RD 1924-16 or similar format	Engineer	
150	Construct File	Notice to Proceed with Construction	RB 1780-13 Attachment 8	Engineer	
151	Construct File	Estimate of Funds Needed for 30 Day Period - 1780.45(b)(1)(ii)	RD 440-11	Borrower Engineer	
152		Check Debarment/Suspension (Applicant)- https://www.epls.gov/ RD 1940-M, §1940.606(b) Prior to loan closing	Printout from Website	AO	
153	2	Fax Loan Closing Information to Deputy Chief Financial Officer (Finance) along with Promissory Note	Guide Form Loan Closing Information	AO	
154		Update CPAP		AO	
155	Construct File	Request Loan Funds – verify that EFT/ACH is setup for loan and grant		AO	
156					

STEP 9 - POST LOAN CLOSING

THE LOAN DOCKET FOR FINAL OPINION SHOULD BE COMPLETED AS SOON AS THE LEGAL DOCUMENTS ARE FILED WITH THE SECRETARY OF STATE. FINAL PAYMENT TO ATTORNEY SHOULD NOT BE MADE UNTIL FINAL OPINION IS RECEIVED FROM THE OFFICE OF GENERAL COUNSEL.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
157	5	Final Title Opinion - 1780.44(g)(2)	RD 1927-10	Attorney		
158	2	Promissory Note - 1780.45(a)(1) Submit copy of original with advance of funds listed to date	RD 440-22	AO		
159	5	Request for Final Opinion to SO Submit all related material as stated in the Closing Instructions.	Memo	AO		
160	4	Review and submit docket to OGC	Memo	SO		
161	5	Post Review of Loan Closing - 1780.45 (g)	Memo	OGC		
162	4	Notify Applicant of OGC post closing opinion	Memo	AO		
163		Update CPAP	CPAP	AO		

STEP 10 – CONSTRUCTION FILE

CONSTRUCTION BEGINS. AREA OFFICE SHOULD SET UP CONSTRUCTION FOLDER.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
164	Construct File	Statement of Deposits and Withdrawals (Monitor & Track Funds) 1780.45(e)(1)&(4)	RD 402-2 or similar form	AO		
165	Construct File	Estimate of Funds Needed for 30 Day Period - 1780.45(b)(1)(ii)	RD 440-11	Borrower/Engineer		
166	Construct File	Partial Payment Estimate - Approval of Invoices - 1780.45(e)(1) and 1780.76(e)	RD 1924-18	Borrower/Engineer/AO		
167	Construct File	Contract Change Order – SO Approval - 1780.75(h) and 1780.76(h)	EJCDC Form or RD 1924-7	Borrower/Engineer/AO/SO		
168	Daily Reports File	Evidence of Daily Diary and Inspection Reports - 1780.76(d)	RB 1780-18	Resident Inspector		
169	Construct File	Project Monitoring/Inspections – SI 1780-2 (3)(3.1)	RD 1924-12	AO		
170	6	Prefinal or Substantial Inspection - 1780.76(f) - SO should be contacted to attend prefinal.	RD 1924-12	Borrower/Engineer/AO/SO		
171		Update CPAP once prefinal is complete		AO		
172	6	Final Inspections - 1780.76(g) Provide Copy of Final Inspection to State Office	RD 1924-12	Borrower/Engineer/AO		
173		Update CPAP to 402 status once final is complete		AO		
174	6	Update CPAP Warranty Inspections for each Contract (11 th month warranty) SI 1780-2,3.2(a)(i)(A)	RD 1924-12 CPAP Servicing	AO		
175	Construct File	Remaining Funds – Notify Borrower giving them appeal rights in accordance w/ 1780.45(f) & 1780-2, 2.14(e) once project is completed. SO must approve any remaining funds		AO		
176	Construct File	Submittal for remaining funds (if applicable) 1780.45(f) & SI 1780-2, 2.14(e) SO must approve any remaining funds	Memo	AO		
177	6	District Director's Report (between 9 th & 11 th month of first year of operation) SI 1780-2(3)(3.2)(a)(i) Update CPAP Servicing	RD 442-4	AO		

STEP 11 – SERVICING

UPDATE CPAP TO SHOW ALL SERVICING ACTIONS ONCE THE PROJECT IS IN A 402 STATUS. THESE ARE JUST A FEW THAT SHOULD BE UPDATED. REFER TO CPAP SERVICING FOR A LIST OF ALL INFORMATION REQUIRED OF THE BORROWER. THESE REPORTS ARE REQUIRED IN ACCORDANCE WITH THE LETTER OF CONDITIONS AND RUS INSTRUCTIONS AS WELL AS THE STATE INTERNAL REVIEW (SIR) GUIDE. REPORTS SHOULD BE PULLED MONTHLY TO SCHEDULE VISITS, IF NEEDED.

DUE DATE	TYPE OF SERVICING	REFERENCE		
Quarterly	Quarterly Management Reports	1780.47(f)(1) SI 1780-4(2)(ii)]		
Annual	Audit/Annual Report	SI 1780-4(2)		
Annual	Budget	SI 1780-4(2)(i)		
Annual	Insurance	1780.39(g)(4)		
Annual	Reserve Account	1780.39(e)		
3 years	Compliance Review – every 3 years for 2 consecutive times, then every 6 years.	1901E§1901.204(e)		
3 years	Security Inspections	SI 1780-2(3)(3.2)		
3 years	Vulnerability Assessment – update certification even if no changes have occurred	Letter of Conditions TX Unnumbered Letter		
3 years	Emergency Response Plan – update certification even if no changes have occurred	Letter of Conditions TX Unnumbered Letter		
	Graduation Review	1951-F, § 1951.263		
	UPDATE CPAP SERVICING			

**USDA, RURAL UTILITIES SERVICE
WATER AND WASTE
PROCESSING CHECKLIST FOR PUBLIC BODIES**

Applicant:	Applicant Contact Person:	Telephone:
Engineering Firm:	Project Engineer:	Telephone:
TYPE OF REQUEST: Water Sewer Water & Sewer Other: _____	Applicant Address: _____ _____ _____	Engineer Address: _____ _____ _____

If subsequent loan, the following should be brought forward:
Evidence of charter and/or authorizing legislation, etc.

STEP 1 – Pre-Application

Initial application and supporting material - Applicant will submit Items 1-9 to the Area Office (AO).
Forms may be obtained at: <http://www.usda.gov/rus/water/wwforms.htm> and
Texas forms at: <http://www.rurdev.usda.gov/tx/utilities.htm>

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
1	3	Notice of Intent to File Application – 1780.19(a)	Publication	Applicant		
2	3	Application for Federal Assistance (include Tax ID & DUNS No.) 1780.33(a)	SF 424.2, SF 424C & 424D	Applicant		
3	3	Project Description to include service area map - 1780.11(a)		Applicant		
4	5	Evidence of charter and/or authorizing legislation- if new entity 1780.7(3) & 1780.33(d)	Organizational Documents	Applicant		
5	3	Council of Governments or State Inter-Governmental Review and Recommendations - 1780.33(b)	Letter	Applicant		
6	1	Current Audit or Financial Report 1780.33(e)		Applicant		
7	3	Supporting Documentation on Existing Debt other than RD debt– 1780.33(e)	Letters Bank Statements	Applicant		
8	3	Verification of inability to obtain Credit at reasonable rates & terms – minimum 2 lenders – 1780.33(d) & N/O unnumbered letter dated 6/30/04	SI 1780-6 Attachment 2 and lender contacts	Applicant & AO		
9	3	Certification for commercial credit and outstanding judgments – 1780.7(d) , (g) and .33(d)	RB 1780-22	Applicant		

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
10	3	Initial Processing Conference 1780.39(a)	Initial Processing Conference Guide Form	AO/Appl/Engineer		
11		Has the Applicant applied with another Agency/Lender for this proposed project? If so, whom		Applicant/Engineer		
12	3	Project Selection Criteria 1780.17	RB 1780-1	AO/SO		
12a or 12b	Attach to RB 1780-1	Evidence Regarding Median Household Income of the Service Area - 1780.1(b) & .17(c)	Copy of Census or other data used	AO		
	Attach to RB 1780-1	Documentation for Income Survey - 1780.1(b) (if applicable)	Approval Memo If applicable	AO		
12c	Attach to RB 1780-1	Population in Service Area - 1780.17.(a)	Copy of Census or other data used	AO		
13	3	Review most recent Debarment Suspension List to insure Applicant's and their representative's names do not appear. RD 1940-M , 1940.606 (b) https://www.epls.gov/	Website	AO		
14	3	CAIVRS https://entp.hud.gov/caivrs/public/home.html	Website	AO		
15	3	Identify known Relationships/Associations with Agency Employee - 1780.1(f)	Memo	Applicant/AO		
16	3	Initial User Analysis	Worksheet Guide Form	AO		
17		Input data in CPAP	CPAP	AO		
18	4	Initial Application Eligibility Determination & Recommendation to State Office	Memo	AO		
19	4	Submit File of Items 1-18 to State Office for Pre-Application Review				
20	4	Evidence of Initial Application Review (State Office Comments)- 1780.32(b)	Memo	SO		
21	4	Notification to Applicant of Initial Application Review Determination	Letter	AO		
22	4	Application Conference Discuss target dates of Steps 2 & 3 1780.39(a)	RCR	AO		
23		Update status in CPAP	CPAP	AO		

The Area Office should submit the above items for State Office (SO) review filed in an 8-position folder. **All running case records (RCR) should be filed on top in position 3 in date order.**

AO = Area Office or Sub-Area Office
RB = RUS Bulletin

SI = RUS Staff Instructions
SO = State Office

Step 2 – Preliminary Engineering Report & Environmental Report

APPLICANT AND ENGINEER WILL ASSEMBLE THE FOLLOWING MATERIALS AND SUBMIT AN ORIGINAL AND ONE COPY TO THE AREA OFFICE. FOR QUESTIONS OR CONCERNS ABOUT PREPARING THE PRELIMINARY ENGINEERING REPORT OR ENVIRONMENTAL REPORT, PLEASE CONTACT THE STATE OFFICE.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
24	3	Site Visit — SI 1780-2(2.4)(a)	RCR	AO		
25	6	Agreement for Engineering Services - 1780.39(b)	EJCDC, RB 1780-26. RB-TX 1780-26	Applicant/ Engineer		
26	6	AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion" – 1780.33(h)	AD-1048	Engineer		
27	6	Certifications for Contracts, Grants, and Loans (Regarding Lobbying) – RD 1940-Q & 1780.33(h)	RD 1940-Q, Exhibit A-1 or SF-LLL, if applicable	Engineer		
28	6	Forward to SO recommending approval of Agreement 1780.39(b)(1)	Memo	AO/SO		
29	PER File	Preliminary Engineering Report – 1780.33(c) - 2 copies	TX Guide in Preparing PER, TX RUS Instruction 1780-C	Engineer		
30	6	Forward to one copy to SO recommending approval of PER	Memo	AO		
31	6	Preliminary Engineering Report Approval by State Engineer	Memo	SO		
32	ENV File	Environmental Report - 1780.33.(f) 2 copies	RB 1794A-602	Applicant/ Engineer		
33	ENV FILE	Forward to 1 copy to SO recommending approval ER	Memo	AO		
34	ENV File & 3	Environmental Report Approval by State Environmental Coordinator (SEC)	Memo	SEC		
35	ENV File	Environmental – Public Notice and Publisher's Affidavit (if applicable)	RB 1794A-602 Exhibit B.1 to B.4	Applicant/ Engineer		
36	ENV File	Environmental – FONSI Letters/Documents (if applicable)	SI 1794-1 Exhibit D	SEC		
37	ENV File & 3	Environmental – FONSI Newspaper clips and Publisher's Affidavit (if applicable)	SI 1794-1 Exhibit E& F	Applicant/ Engineer		
38		Update Environmental Approval dates in CPAP	CPAP	AO		

STEP 3 – Application

APPLICATION AND SUPPORTING MATERIAL SUBMITTAL – THE APPLICANT WILL SUBMIT ONE COPY OF ALL ITEMS LISTED IN STEP 3. THE AO AND SO WILL DETERMINE THE TYPE AND AMOUNT OF ASSISTANCE IT IS WILLING TO CONSIDER AND THE CONDITIONS THE APPLICANT MUST MEET TO RECEIVE ASSISTANCE. ALL SUBMITTALS WILL BE CONSIDERED FOR A GUARANTEED AND DIRECT LOAN OR COMBINATION, AND THEN GRANT ASSISTANCE WILL BE CONSIDERED.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
39	3	Notice of Public Information Meeting and Minutes – 1780.19(b)	Publication and Minutes	Applicant		
40	3	Certification Regarding Debarment or Suspension - 1780.33(h)	AD-1047	Applicant		
41	3	Certification Regarding a Drug-Free Workplace - 1780.33(h)	AD-1049	Applicant		
42	3	Certifications for Contracts, Grants, and Loans (Regarding Lobbying) – RD 1940-Q & 1780.33(h)	RD 1940-Q, Exhibit A-1 and SF-LLL, if applicable	Applicant		
43	5	Current list of City Council or Board District	Memo	Applicant		
44	1	Audit Reports for previously 3 years	Audits	Applicant		
45	3	Proposed Operating Budget - 1780.33(h) & 1780.41(2)	RD 442-7	Applicant		
46	RCR	Inequities within Service Area (pending disputes) - 1780.11	RCR	AO		
47	3	Certification of Users by Rural Development Manager	RB-TX 1780-40	AO		
48	3	Update Lender contacts from Item 8 (info cannot be 6 months old) SI 1780-6 and Commentary	Lender Letters	AO		
49	3	Documentation relative to Health or Sanitary problems - 1780.10(c)(1) and 1780.13(b)(1)	Letter- applicable for 75% grant or Poverty rate	Applicant		
50	5	Water Purchase Contract or Sewage Treatment Contract w/ SO approval memo– if applicable (if new contract, must submit DRAFT prior to funding) 1780.62 or 1780.63	Guide for Water Purchase RD 442-30	Applicant/ Attorney		
51	4	Submit Water Purchase Contract to SO for review prior to loan submittal If applicable.	Memo	AO		
52	3	Evidence of Availability of Other Funds – 1780.44(f) Leveraged Funds	Memo	Applicant AO		

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
53	3	Evidence of Overall Review of Applicant's Financial Status – SI 1780-2(2.4)(c)	RCR	AO		
54						
55	3 Attach to Project Summary	Cost Estimate of Proposed Project (info cannot be 6 months old prior to requesting funds)	Cost Estimate in PER	Engineer		
56	3	Update Project Summary and Underwriting - 1780.41	Print Automated Forms In CPAP	AO		
57	4	Transmittal Letter to SO with recommendations/comments/history	Memo	AO		
58		Submit File to State Office for funding		AO		

STEP 4 – State Office Review

STATE OFFICE WILL PREPARE THE LETTER OF CONDITIONS FOR AREA OFFICE. THE AREA OFFICE WILL PREPARE THE NECESSARY FORMS STATED IN THE LETTER OF CONDITIONS AND DELIVER TO THE APPLICANT FOR CONSIDERATION.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Date Completed
59	3	Prepare Letter of Conditions - 1780.41(a)(5)	RB 1780-19	SO	
60	3	Prepare Proposed Budget	RD TX 1942-7	SO	
61	3	Prepare briefing of proposed project for Project Announcement – SI 1780-2(2.7)(e)	Memo	SO	
62	4	National Office Approval (If applicable)	Memo	NO	
63	4	Evidence of Full Application Review (State Office Comments authorizing the issuance of the LOC and 1940-1) - 1780.32(b)	Memo	SO	
64					

STEP 5 – Deliver Letter of Conditions

THE AREA OFFICE WILL SCHEDULE AN APPOINTMENT TO DELIVER THE LETTER OF CONDITIONS ALONG WITH THE ATTACHMENTS. THE LOAN SPECIALIST MUST READ OVER THE CONTENTS OF THE LETTER AND ANSWER ANY QUESTIONS THE APPLICANT MAY HAVE.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
65	3	Letter of Conditions (LOC) Signed by the AD or authorized RD representative – 1780.41(a)(5)	LOC	AO		
66	3	Letter of Intent to Meet Conditions – Discuss timeframe to meet conditions- 1780.41(a)(6)	RD 1942-46 Automated	Applicant		
67	2	Request for Obligation of Funds – 2 originals must be signed 1780.41(a) Under item 44, Comments & Requirements – <u>List Security requirements</u> and add “Approval of financial assistance is subject to terms of the Letter of Conditions dated _____.”	RD 1940-1 Automated	Applicant & Agency		
68	3	Applicant Certification, Federal Collection Policies for Consumer or Commercial Debt - 1780.33(h)	RD 1910-11	Applicant		
69	3	Equal Opportunity Agreement – RD Inst. 1901-E	RD 400-1	Applicant		
70	3	Assurance Agreement – RD Inst. 1901-E	RD 400-4	Applicant		
71	5	Loan Resolution (Public Bodies) – 1780.39(f)	RB 1780-27	Applicant		
72	5	Water and Waste System Grant Agreement (if applicable)	RB 1780-12	Applicant		
73	3	Credit Alert Interactive Voice Response System (CAIVRS) https://entp.hud.gov/caivrs/public/home.htm Update CPAP	website	AO		
74						
75						
76	4	Submit 2 original signed Obligation forms to SO for approval, along with copy of budget, letter of intent, and 1 st & last page of LOC (dated & signed)	RD 1940-1	AO		
77	2	Evidence Applicant Notified of Approval - 1780.41(b)	Letter	SO		

STEP 6 – Pre-Loan Closing

NOTE: IT IS VERY IMPORTANT THAT THE APPLICANT, ENGINEER, ATTORNEY, AND AREA OFFICE COORDINATE THEIR EFFORTS AT THIS TIME. EVERYONE WILL BE OBTAINING AND FINALIZING A VARIETY OF INFORMATION TO GET THIS PROJECT TO THE BIDDING STAGE. NOTE: BIDDING WILL NOT BE AUTHORIZED UNTIL CLOSING INSTRUCTIONS HAVE BEEN OBTAINED FROM THE OFFICE OF GENERAL COUNSEL (OGC).

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
78	5	Legal Services Agreement (if applicable) - 1780.39(b)	RB-TX 1780-7	Applicant/ Attorney		
79	5	Engagement Letter from Bond Counsel – 1780.39(b)	Memo	Applicant/ Bond Counsel		
80	5	Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - 1780.33(h)	AD-1048	Attorney & Bond Counsel		
81	5	Certifications Regarding Lobbying - 1780.33(h)	RD 1940-Q, Exhibit A-1	Attorney & Bond Counsel		
82	5	Check Debarment/Suspension (Attorney & Bond Counsel)- https://www.epls.gov/	Printout from Website	AO		
83	5	Legal Services Agreement - 1780.39(b)(2) – Concurrence from SO	Memo	SO		
84	5	Bond Counsel Engagement Letter Concurrence from SO – 1780.39(b)(2)	Memo	SO		
85	3	Agreement Between Applicant and Individual Users - 1780.9(g)(2) (if applicable)	Agreement	Applicant		
86	5	Copy of Membership Certificate (applicable for Districts only)	Certificate	Applicant		
87	5	Ordinance for mandatory use of the Facility 1780.39(c) for Cities	Ordinance	Applicant		
88	5	Water User Agreement/Sewer User Agreement 1780.39(c) for Districts	RB TX 1780-9	Applicants		
89	3	Management Plan, Facility Maintenance Plan, proposal for the maintenance of accounts & records and auditor's agreement – See LOC 1780.39(b)(4) & SI 1780-4(1)(ii)		Applicant		
90	3	Management Agreement/Agency Concurrence - 1780.39(b)(4)	RCR or Letter	LO		
91	5	Resolutions of any environmental mitigation measures – See Letter of Conditions & Environmental Report 4.0 Summary of Mitigations	Resolution	Applicant/ Engineer		

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
92	5	Water Purchase Contract or Wastewater Treatment Contract – Concurrence 1780.62 or 1780.63 (if applicable)	RD 442-30 or other format	Applicant & AO/SO		
93	5	Draft Bond Ordinance w/ proposed preliminary approving opinion and final approving opinion - (Review comments must accompany ordinance to SO)	Guide for Bond Counsel & RUS Requirements attached to LOC	Bond Counsel		
94	Easement Folder	Right-of-Way Easements, if applicable- 1780.44(g)(1)	RD TX 442-8 or RD TX 442-9	Applicant/ Attorney		
95	Easement Folder	Right-of-Way Map (Approved by President, Attorney, & Engineer)	Map	Engineer		
96	5	Right-of-Way Certificate by Corporation	RD 442-21	Applicant		
97	5	Opinion of Counsel Relative to Right-of-Way – 1780.44(g)(1)	RD 442-22	Attorney		
98	5	Right-of-Way Certificate by Engineer	Letter	Engineer		
99	Easement Folder	State and County Road permits (if located in several counties, obtain permits from each county)		Engineer		
100	Easement Folder	Railroad Permits (if applicable) (Must be assigned to USA)		Engineer		
101	5	Certificate of Convenience and necessity (CCN) (amended CCN is required if lines are extended outside the current service area) Districts	CCN	Engineer		
102	5	Water and/or Wastewater Treatment Permits from Regulatory Agency (for surface water/sewer treatment projects, if applicable)	TCEQ permit	Engineer		
103	5	Water Rights (if applicable) - 1780.44(g)(3)		Attorney		
104	6	Approval of Final Plans, Specs, Unexecuted contract document by SO - 1780.61	Memo	Engineer SO		
105	6	Approval of Final Plans & Specs by State Regulatory Agency (TCEQ) - 1780.61	Memo	Engineer		
106						

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
107	6	Resume of Resident Inspector - 1780.76(c)	Resume	Applicant Engineer		
108	6	Approval of Resident Inspector from SO – 1780.76(c)		SO		
109	2	Request for Pledge of Collateral (if applicable) 1780.45(e)(2)&(3)		LO		
110	2	Evidence that Collateral is Pledged (if applicable) 1780.45(e)		LO		
111	2	Electronic Funds Transfer/Automated Clearing House (EFT/ACH) and setup in ADPS - 1780.45(b)(2)	SF-3881	Applicant/ Financial Institution		
112	3	Proposed updated operating budget	RD 442-7 or similar form	Applicant		
113	3	Rate Study Analysis based on the proposed loan - Letter of Conditions May contact a Technical Assistance Provider		Applicant		
114	3	Certification of Vulnerability Assessment (VA) - Letter of Conditions – May contact a Technical Assistance Provider		Applicant		
115	3	Certification of Emergency Response Plan (ERP) – Letter of Condition May contact a Technical Assistance Provider		Applicant		
116		Update CPAP for VA & ERP plans. Certification must be updated every 3 years from date of certification.	CPAP	AO		
117	5	Transmittal Letter to S/O recommending Closing Instruction (Follow applicable format in unnumbered letter in submitting docket)	Memo	AO		
118	5	Request Office of General Counsel to issue Closing Instructions	Memo	SO		
119	5	Closing Instructions issued with special requirements to LO and authorization to advertise & receive bids	Memo	SO		
120	4	Provide copies of Closing Instructions to Applicant, Attorney, Bond Counsel and Engineer	Memo	AO		

STEP 7 - BIDDING

APPLICANT, ENGINEER, AND ATTORNEY SHOULD COMPLETE THE FOLLOWING ITEMS. REFER TO TEXAS RUS INSTRUCTION 1780, SUBPART C FOR ADDITIONAL GUIDANCE.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
121	6	Once all requirements can be met Authorize Engineer to Advertise to Bid the Project	Memo	AO		
122	3	Interim Financing — Evidence of Commitment from Lender and Notice of Agency's Commitment (if applicable) - 1780.39(d)	RB 1780-10	Applicant/ AO		
123	5	Initial Compliance Review – pre-loan review – RD 1901-E & 1780.44(c)	RD 400-8	AO		
124	3	Check Debarment/Suspension (Applicant)- RD 1940-M, §1940.606(b) https://www.epls.gov/	Printout	AO		
125	3	Credit Alert Interactive Voice Response System (CAIVRS) https://entp.hud.gov/caivrs/public/home.htm	website	AO		
126	2	Authorization Agreement for PreAuthorized Payment (PAD) – on all loans outstanding – update CPAP	RD 3550-28	Applicant/ Financial Institution		
127	3	Verification of Applicant Contribution or leveraged fund (if applicable) 1780.44(b)	Memo	Applicant		
128	6	Pre-Bid Opening Teleconference AO should notify State Office of teleconference - TX RUS 1780, Subpart C	Guide Form	AO/ Engineer		
129	6	Bid Opening – Rural Development representative must attend – 1780.72(b)(2)		Engineer		
130	Construct File	Submit Bib Tabulations to SO and recommendation of award – TX RUS 1780, Subpart C & 1780.61(b)		Engineer		
131	Construct File	Executed Contract Documents - AO include assembly checklist TX RUS 1780, Subpart C * * * * * Contract equal or exceeds \$25,000 – Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion	AD-1048 w/ each Contract	Engineer Contractor		

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
132	Construct File	Check Debarment/Suspension (Applicant., Engineer., Contractor)- https://www.epls.gov/RD 1940-M, §1940.606(b)	Printout from Website	AO		
133	6	Legal Certification Regarding Adequacy of Contract Documents - 1780.61(b)	RB 1780-14 Page 7	Applicant/ Attorney		
134	6	Contract Review and Approval by SO	Memo	SO		
135	Construct File	Construct Test Wells (if applicable) prior to bidding of distribution lines TX RUS 1780 Subpart C		Engineer		
136	Construct File	Approval of Water Source by State Regulatory Agency (if applicable) TX RUS 1780 Subpart C	Memo	Engineer		
137	Construct File	Revised Project Cost Estimate based on award contracts		Engineer		
138	2	De-obligate excess funds prior to closing or provide RCR of justification. 1780.44(e)	RCR or RD 1940-10	AO		
139	7	Evidence of Insurance—Property Insurance, General Liability, Flood, and Worker's Compensation - 1780.39(g)	List of Policies or Other Documents	Applicant		
140	7	Fidelity or Employee Dishonesty Bond - 1780.39(g)(3)	Copy of Bond	Applicant		
141	Construct File	Estimate of Funds Needed for 30 Day Period - 1780.45(b)(1)(ii)	RD 440-11	Borrower Engineer		
142	Construct File	Request Loan Funds – verify that EFT/ACH is setup for loan and grant. Order prior to closing date for bonds	ADPS 1C transaction	AO		
143		Bonds – verify the interest rate and amount	Certificates	Bond Counsel		

STEP 8- LOAN CLOSING

IF THE AWARDS OF THE CONTRACTS ARE WITHIN THE FUNDS AVAILABLE, THE AREA OFFICE MAY PROCEED WITH CLOSING. IN THE EVENT ADDITIONAL FUNDS ARE NEEDED, REFER TO THE “GUIDE FOR PROJECT COSTS EXCEED FUNDS AVAILABLE.”

- A. AREA OFFICE WILL REVIEW THE CHECKLIST, LETTER OF CONDITIONS, AND OGC'S CLOSING INSTRUCTIONS. IF IT IS DETERMINED THAT ALL CONDITIONS CAN BE MET, AO SHOULD MAKE ARRANGEMENTS FOR THE CLOSING AND FOR A PRE-CONSTRUCTION CONFERENCE.**
- B. CLOSING AND PRE-CONSTRUCTION CONFERENCES WILL BE HELD AND ALL APPLICABLE REQUIREMENTS, INCLUDING THE FOLLOWING WILL BE COMPLETED.**
- C. AREA OFFICE WILL MONITOR USE OF FUNDS WITH A TRACKING SHEET BASED ON THE CONTRACT DOCUMENTS AND REVISED COST ESTIMATE.**

Item No.	Folder File Position	Document	Document or Form Number	Execute By	Date Completed
144	5	Closing Instructions from SO and OGC. Appropriate parties must sign at closing	Closing Instructions	AO/ Attorney	
145	5	Certification of the Loan Resolution-Secretary of the Board must sign at closing	RB 1780-27 Certification	Applicant	
146	5	Water and Waste System Grant Agreement (if applicable)	RB 1780-12	Applicant	
147	5	Other Security Instruments as prepared by OGC	OGC Closing Instructions	Applicant	
148		Close Loan (deliver first advance of funds, pick up bonds, obtain Power of Attorney from Bond Counsel)		AO	
149	Construct File	Pre-Construction Conference (once closing is complete) 1780.76(a)	RD 1924-16 or similar format	Engineer	
150	Construct File	Notice to Proceed with Construction	RB 1780-13 Attachment 8	Engineer	
151		Check Debarment/Suspension (Applicant) https://www.epls.gov/RD 1940-M , §1940.606(b) – Prior to Loan Closing	Printout from Website	AO	
152	2	Loan Closing Information to Deputy Chief Financial Officer (Finance) along with Bond	Guide Form Loan Closing Information	AO	
153		Update CPAP		AO	

STEP 9 - POST LOAN CLOSING

THE LOAN DOCKET FOR FINAL OPINION SHOULD BE COMPLETED AS SOON AS THE LEGAL DOCUMENTS ARE FILED WITH THE SECRETARY OF STATE. FINAL PAYMENT TO ATTORNEY SHOULD NOT BE MADE UNTIL FINAL OPINION IS RECEIVED FROM THE OFFICE OF GENERAL COUNSEL.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
154	Safe	Bond Transcript Once all loan funds have been disbursed Bond Counsel should submit to AO – do not wait until grant funds have been disbursed.	Bond Ordinance	Bond Counsel		
155	5	Request for Final Opinion to SO Submit all related material as stated in the Closing Instructions and unnumbered letter.	Memo	AO		
156	4	Review and submit docket to OGC	Memo	SO		
157	5	Post Review of Loan Closing - 1780.45 (g)	Memo	OGC		
158	4	Notify Applicant of OGC post closing opinion	Memo	AO		
159		Update CPAP	CPAP	AO		

STEP 10 – CONSTRUCTION FILE

CONSTRUCTION BEGINS. AREA OFFICE SHOULD SET UP CONSTRUCTION FOLDER.

Item No.	Folder File Position	Document	Document or Form Number	Prepared By	Request Date	Date Rec'vd
160	Construct File	Statement of Deposits and Withdrawals (Monitor & Track Funds) 1780.45(e)(1)&(4)	RD 402-2 or similar form	AO		
161	Construct File	Estimate of Funds Needed for 30 Day Period - 1780.45(b)(1)(ii)	RD 440-11	Borrower/Engineer		
162	Construct File	Partial Payment Estimate - Approval of Invoices - 1780.45(e)(1) and 1780.76(e)	RD 1924-18	Borrower/Engineer/AO		
163	Construct File	Contract Change Order – SO Approval - 1780.75(h) and 1780.76(h)	EJCDC Form or RD 1924-7	Borrower/Engineer/AO/SO		
164	Daily Reports File	Evidence of Daily Diary and Inspection Reports - 1780.76(d)	RB 1780-18	Resident Inspector		
165	Construct File	Project Monitoring/Inspections – SI 1780-2 (3)(3.1)	RD 1924-12	AO		
166	6	Prefinal or Substantial Inspection - 1780.76(f) - SO should be contacted to attend prefinal.	RD 1924-12	Borrower/Engineer/AO/SO		
167		Update CPAP once prefinal is complete		AO		
168	6	Final Inspections - 1780.76(g) Provide Copy of Final Inspection to State Office	RD 1924-12	Borrower/Engineer/AO		
169		Update CPAP to 402 status once final is complete		AO		
170	6	Update CPAP Warranty Inspections for each Contract (11 th month warranty) SI 1780-2,3.2(a)(i)(A)	RD 1924-12 CPAP Servicing	AO		
171	Construct File	Remaining Funds – Notify Borrower giving them appeal rights in accordance w/ 1780.45(f) & 1780-2, 2.14(e)		AO		
172	Construct File	Submittal for remaining funds (if applicable) 1780.45(f) & SI 1780-2, 2.14(e) SO must approve any remaining funds	Memo	AO		
173	6	District Director's Report (between 9 th & 11 th month of first year of operation) SI 1780-2(3)(3.2)(a)(i) Update CPAP Servicing	RD 442-4	AO		
174	cabinet	"As Built" Plans have been received		Engineer		

STEP 11 – SERVICING

UPDATE CPAP TO SHOW ALL SERVICING ACTIONS ONCE THE PROJECT IS IN A 402 STATUS. THESE ARE JUST A FEW THAT SHOULD BE UPDATED. REFER TO CPAP SERVICING FOR A LIST OF ALL INFORMATION REQUIRED OF THE BORROWER. THESE REPORTS ARE REQUIRED IN ACCORDANCE WITH THE LETTER OF CONDITIONS AND RUS INSTRUCTIONS AS WELL AS THE STATE INTERNAL REVIEW (SIR) GUIDE. REPORTS SHOULD BE PULLED MONTHLY TO SCHEDULE VISITS, IF NEEDED.

DUE DATE	TYPE OF SERVICING	REFERENCE		
Quarterly	Quarterly Management Reports	1780.47(f)(1) SI 1780-4(2)(ii)		
Annual	Audit/Annual Report	SI 1780-4(2)		
Annual	Budget	SI 1780-4(2)(i)		
Annual	Insurance	1780.39(g)(4)		
Annual	Reserve Account	1780.39(e)		
3 years	Compliance Review – every 3 years for 2 consecutive times, then every 6 years.	1901E§1901.204(e)		
3 years	Security Inspections	SI 1780-2(3)(3.2)		
3 years	Vulnerability Assessment – update certification even if no changes have occurred	Letter of Conditions TX Unnumbered Letter		
3 years	Emergency Response Plan – update certification even if no changes have occurred	Letter of Conditions TX Unnumbered Letter		
	Graduation Review	1951-F, § 1951.263		
	UPDATE CPAP SERVICING			

AGREEMENT FOR LEGAL SERVICES
(Mortgage Secured Loan)

This Agreement, made between _____
which proposes to construct/improve a _____ in the
(Type of Project)
community of _____, _____ County,
Texas, hereinafter referred to as "Corporation", and _____,
Attorney-at-Law, of _____, hereinafter
referred to as "Attorney":

WITNESSETH:

Corporation hereby retains and employs Attorney to perform the usual and customary legal work generally required for obtaining funds from the United States of America for the above stated purpose. The Attorney will perform such services as are necessary to accomplish the recited objective including, but not limited to, the following:

1. Unless presently incorporated, prepare and file Articles of Incorporation with the Secretary of State, attend the initial meeting of members and directors, prepare membership certificates and service agreements for all members, and take such action as may be necessary to cause Corporation to become duly incorporated and authorized to undertake the proposed project.

2. Furnish advice and assistance to the governing body of the duly incorporated corporation in connection with:

- a. The notice for and administration of meetings;
- b. The preparation of minutes of meetings;
- c. The preparation and enactment of such resolutions as may be necessary in connection with the authorization, financing, construction, and initial operation of the system;
- d. The preparation of such affidavits, publication notices, ballots, reports, certifications, and other instruments and advice as may be necessary;

- e. The completion and execution of documents for obtaining a loan made or insured or a grant made by the United States of America, U.S. Department of Agriculture;
- f. Entering into construction contracts;
- g. Preparation and adoption of By-Laws, Rules and Regulations, and rate schedules; and
- h. Such other corporate action as may be necessary in connection with the financing, construction and initial operation of the system.

3. If right of way easements across privately owned land are required, the Attorney will prepare and file for record such easements as are necessary to provide adequate and continuous rights of way for construction, operation, and maintenance of the project. Easements may be based on field notes or upon reference to an instrument of record for a description of the land over which the easement is granted. The Attorney will furnish to the Corporation and the United States of America Form FmHA 442-22, Opinion of Counsel Relative to Rights-of-Way.

4. Negotiate and prepare contracts, franchise agreements, permits, licenses, and certificates from Federal and State agencies, counties, municipalities, railway companies, and other public and private entities which are required for the successful construction, operation, and maintenance of the project, including those required in connection with the purchase, production, sale and delivery of water, waste disposal, health department certification, certification of service area, etc.

5. Examine title to such tracts of land (and water rights if applicable) as may be required by the Corporation for the facility and, if necessary, prepare conveyances of title to the Corporation. Furnish Form FmHA 1927-9, Preliminary Title Opinion, for all land currently owned by the Corporation and all land to be acquired by the Corporation listing all conditions, reservations, defects, encumbrances and exceptions to said title which would affect the lien position of the U.S.A. After the loan has been closed, furnish Form 1927-10, Final Title Opinion.

6. Review of construction contracts, bid-letting procedures, surety and contractual bonds in connection therewith.

7. Prepare all other instruments and perform such other services as may be required by the United States of America in order to comply with all requirements for obtaining the loan.

8. Attend and participate in loan closing.

THE fee of the Attorney for legal services will be \$_____.*

This fee will be payable as follows:

- a. One fourth (1/4) is payable upon closing of the loan and/or grant; and
- b. One half (1/2) is due and payable when all documents required for issuance of the Final Opinion by the Office of General Counsel (OGC) of the United States Department of Agriculture have been received. If appropriate closing information necessary for the OGC final opinion is not received by Rural Utilities Service within 90 days after loan closing or completion of the project, whichever is first, the remaining legal fees will be forfeited and used to obtain alternate legal services.
- c. The final one fourth (1/4) is payable on issuance of the Final Opinion by OGC.

In addition to the legal fees, the Attorney will bill the Corporation for recording fees including filing fee to the Secretary of State for filing Articles of Incorporation.

Such fee is understood to be the total compensation for the Attorney. Additional travel, fax, telephone, copies or similar additional expenses are not allowable.

EXECUTED this _____ day of _____, 19_____.

By: _____

(Attorney)

By: _____

Address: _____

Phone/Fax: _____

* The actual legal fee is negotiable between the corporation and attorney. We encourage the corporation to solicit the legal services at the most economical costs. The total fee allowable will not exceed one percent (1%) of the proposed construction costs; however, only in justifiable circumstances will the maximum be allowed. (\$_____ (fee) = \$_____ per hour x _____ no. of hours)

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

WATER SUPPLY CORPORATION

SERVICE APPLICATION AND AGREEMENT

Please Print: DATE _____

APPLICANT'S NAME _____

CO-APPLICANT'S NAME _____

CURRENT BILLING ADDRESS: _____
FUTURE BILLING ADDRESS: _____

PHONE NUMBER - Home (_____) _____ - _____ Work (_____) _____ - _____

PROOF OF OWNERSHIP PROVIDED BY _____

DRIVER'S LICENSE NUMBER OF APPLICANT _____

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

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

ACREAGE _____ HOUSEHOLD SIZE _____

NUMBER IN FAMILY _____ LIVESTOCK & NUMBER _____

SPECIAL SERVICE NEEDS OF APPLICANT _____

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

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

Ethnicity: Hispanic or Latino Not of Hispanic or Latino

Race: White Black or African American American Indian/Alaska Native
 Asian Native Hawaiian or Other Pacific Islander

Gender: Male Female

AGREEMENT made this _____ day of _____, _____, between
 _____ Water Supply Corporation,
 a corporation organized under the laws of the State of Texas (hereinafter called the Corporation) and
 _____ (hereinafter called the Applicant
 and/or Member),

Witnesseth:

The Corporation shall sell and deliver water and/or wastewater service to the Applicant and the Applicant shall purchase, receive, and/or reserve service from the Corporation in accordance with the bylaws and tariff of the Corporation as amended from time to time by the Board of Directors of the Corporation. Upon compliance with said policies, including payment of a Membership Fee, the Applicant qualifies for Membership as a new applicant or continued Membership as a transferee and thereby may hereinafter be called a Member.

The Member shall pay the Corporation for service hereunder as determined by the Corporation's tariff and upon the terms and conditions set forth therein, a copy of which has been provided as an information packet, for which Member acknowledges receipt hereof by execution of this agreement. A copy of this agreement shall be executed before service may be provided to the Applicant.

The Board of Directors shall have the authority to discontinue service and cancel the Membership of any Member not complying with any policy or not paying any utility fees or charges as required by the Corporation's published rates, fees, and conditions of service. At any time service is discontinued, terminated or suspended, the Corporation shall not re-establish service unless it has a current, signed copy of this agreement.

If this agreement is completed for the purpose of assigning utility service as a part of a rural domestic water and/or wastewater system loan project contemplated with the Rural Development, an Applicant shall pay an Indication of Interest Fee in lieu of a Membership Fee for the purposes of determining:

- a. The number of taps to be considered in the design and
- b. The number of potential ratepayers considered in determining the financial feasibility of constructing
 - 1) a new water system or
 - 2) expanding the facilities of an existing water system.

The Applicant hereby agrees to obtain, utilize, and/or reserve service as soon as it is available. Applicant, upon qualification for service under the terms of the Corporation's policies, shall further qualify as a Member and the Indication of Interest Fee shall then be converted by the Corporation to a Membership Fee. Applicant further agrees to pay, upon becoming a Member, the monthly charges for such service as prescribed in the Corporation's tariff. Any breach of this agreement shall give cause for the Corporation to liquidate, as damages, the fees previously paid as an indication of interest. In addition to any Indication of Interest Fees forfeited, the Corporation may assess a lump sum of \$300.00 as liquidated damages to defray any losses incurred by the Corporation. If delivery of service to said location is deemed infeasible by the Corporation as a part of this project, the Applicant shall be denied Membership in the Corporation and the Indication of Interest Fee, less expenses, shall be refunded. The Applicant may re-apply for service at a later date under the terms and conditions of the Corporation's policies. For the purposes of this agreement, an Indication of Interest Fee shall be of an amount equal to the Corporation's Membership Fees.

All water shall be metered by meters to be furnished and installed by the Corporation. The meter and/or wastewater 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 transfer utility service from one property to another, to share, resell, or submeter water to any other persons, dwellings, businesses, or property, etc., is prohibited.

The Corporation shall have the right to locate a water service meter and the pipe necessary to connect the meter on the Member's property at a point to be chosen by the Corporation, and shall have access to its property and equipment located upon Member's premises at all reasonable and necessary times for any purpose connected with or in the furtherance of its business operations, and upon discontinuance of service the Corporation shall have the right to remove any of its equipment from the Member's property. The Member shall install, at their own expense, any necessary service lines from the Corporation's facilities and equipment to the point of use, including any customer service isolation valves, backflow prevention devices, clean-outs, and other equipment as may be specified by the Corporation. The Corporation shall also have access to the Member's property for the purpose of inspecting for possible cross-connections, potential contamination hazards, illegal lead materials, and any other violations or possible violations of state and federal statutes and regulations relating to the federal Safe Drinking Water Act or Chapter 341 of the Texas Health & Safety Code or and the corporation's tariff and service policies.

The Corporation is responsible for protecting the drinking water supply from contamination or pollution which could result from improper practices. This service agreement serves as notice to each customer of the restrictions which are in place to provide this protection. The Corporation shall enforce these restrictions to ensure the public health and welfare. The following undesirable practices are prohibited by state regulations:

- a. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an airgap or an appropriate backflow prevention assembly in accordance with state regulations.

- b. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the proper installation of an airgap or a reduced pressure-zone backflow prevention assembly and a service agreement must exist for annual inspection and testing by a certified backflow prevention device tester.
- c. No connection which allows condensing, cooling, or industrial process water to be returned to the public drinking water supply is permitted.
- d. No pipe or pipe fitting which contains more than 8.0 % lead may be used for the installation or repair of plumbing on or after July 1, 1988, at any connection which provides water for human consumption.
- e. No solder or flux which contains more than 0.2 % lead may be used for the installation or repair plumbing on or after July 1, 1988, at any connection which provides water for human consumption.

The Corporation shall maintain a copy of this agreement as long as the Member and/or premises is connected to the public water system. The Member shall allow **their** property to be inspected for possible cross-connections, potential contamination hazards, and illegal lead materials. These inspections shall be conducted by the Corporation or its designated agent prior to initiating service and periodically thereafter. The inspections shall be conducted during the Corporation's normal business hours.

The Corporation shall notify the Member in writing of any cross-connections or other undesirable practices which have been identified during the initial or subsequent inspection. The Member shall immediately correct any undesirable practice on their premises. The Member shall, at **their** expense, properly install, test, and maintain any backflow prevention device required by the Corporation. Copies of all testing and maintenance records shall be provided to the Corporation as required. Failure to comply with the terms of this service agreement shall cause the Corporation to either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the Member.

In the event the total water supply is insufficient to meet all of the Members, or in the event there is a shortage of water, the Corporation may initiate the Emergency Rationing Program as specified in the Corporation's Tariff. By execution of this agreement, the Applicant hereby shall comply with the terms of said program.

By execution hereof, the Applicant shall hold the Corporation harmless from any and all claims for damages caused by service interruptions due to waterline breaks by utility or like contractors, tampering by other Member/users of the Corporation, normal failures of the system, or other events beyond the Corporation's control.

The Applicant shall grant to the Corporation permanent recorded easement(s) dedicated to the Corporation for the purpose of providing reasonable rights of access and use to allow the Corporation to construct, maintain, replace, upgrade, parallel, inspect, test and operate any facilities necessary to serve that Applicant as well as the Corporation's purposes in providing system-wide service for existing or future members.

By execution hereof, the Applicant shall guarantee payment of all other rates, fees, and charges due on any account for which said Applicant owns a Membership Certificate. Said guarantee shall pledge any and all Membership Fees against any balance due the Corporation. Liquidation of said Membership Fees shall give rise to discontinuance of service under the terms and conditions of the Corporation's tariff.

By execution hereof, the Applicant agrees that non-compliance with the terms of this agreement by said Applicant shall constitute denial or discontinuance of service until such time as the violation is corrected to the satisfaction of the Corporation.

Any misrepresentation of the facts by the Applicant on any of the four pages of this agreement shall result in discontinuance of service pursuant to the terms and conditions of the Corporation's tariff.

Witnesseth

Applicant Member

Approved and Accepted

Date Approved

CERTIFICATION OF USERS BY RURAL DEVELOPMENT MANAGER
(Water and/or Sewer Loans)

Name of Corporation or Public Body

Local Office Location

I have made a careful audit of the users on this system by making use of the following (check sources used):

- _____ Listing of all the signed users.
- _____ Reviewing all of the survey data sheets.
- _____ Reviewing all Service Agreements.
- _____ Reviewing all Service Rejection Statements.
- _____ Studying engineer's map showing signed users.
- _____ Making an on-the-ground check of users on the map.
- _____ Conference with Steering Committee, Board, or Council.
- _____ Conference with local County Committee.
- _____ Discussion with Rural Utilities Service borrowers.
- _____ Discussion with known signed users.
- _____ Discussion with leaders of the area.

List any other sources: _____

As a result of the above, I have determined a total of _____ water meters and/or _____ sewer connections will use the facilities as soon as water and/or sewer is available; and _____ water meters and/or _____ sewer connection will not use the water and/or sewer facilities until a house, business, or farmstead is built or for some other reason, and _____ have signed Service Rejection Statements.

Because of the above contacts, investigation, audit, etc., I am convinced that every person in the area to be served has been given an opportunity to become a user of this facility without regard to race, color, creed, national origin, or level of income.

Date

Rural Development Manager