

**Lady Creek Water System
Inactive Member Policy
October 19, 2015**

This policy was approved by the Lady Creek Water System (“LCWS”) Board of Directors (the “Board”) on October 19, 2015, to clarify and modify LCWS policies concerning inactive member status and the requirements for reinstatement to active membership.

Objectives: The objectives of this policy are to clarify the implications of inactive membership status, and to provide a consistent method and policy for reinstatement of an Inactive Member to a Member in Good Standing.

Inactive Member Accounts: Once a member’s water service has been locked off, either for non-payment or in response to a request from the member not to receive water service from LCWS, their account will be declared “Inactive”. Water service will remain locked off for all Inactive Members, unless their account is paid in full or a re-payment plan is initiated as described below. Periodically, the Water Master will verify that all locked water services remain locked off, and that Inactive Members are not receiving water service from LCWS.

Inactive Members may attend the LCWS annual meeting but will have no voting rights on LCWS business. Dues and late fees will not be charged to Inactive Member accounts. Capital assessments and any other special assessments levied during the inactive membership period will be tracked and noted on any Inactive Member accounts so that a current re-instatement balance can be quickly determined as further described below.

Returning to Member in Good Standing Status: If a member or successor member in Inactive status wishes to have their water service and active membership re-instated and to return to Member in Good Standing status, they are required to pay the following amounts:

1. A prorated portion of the current annual dues for the remainder of the year in which the member’s water service and membership is re-instated.
2. Any original late fee imposed when the payment was not received within the deadline and grace period. If no late fee was originally imposed because the member chose to become inactive while in good standing with their account current, then such late fee will not be applied upon reinstatement to good standing.
3. A water turn-on fee as currently specified by LCWS.
4. All capital assessments or other special assessments, not including annual dues, which have been declared by LCWS during the period of Inactive status on the account. In other words, although dues during the period of Inactive status will not be charged to the account retroactively since the member did not receive water service during the inactive period, assessments for system improvements made during the Inactive period will be charged to the member’s account retroactively because the re-instated member will benefit from such system improvements paid for by active members.

Annual dues originally billed in the year the account became inactive, if they were not originally paid, will not be required to be paid in order to reinstate a member from Inactive status to Member in Good Standing status. If a member paid their annual dues before their Inactive Member status was

imposed, they will receive credit in their account balance for the prorated portion of the original year in which their water service was locked off.

If the above charges are paid in full, the Water Master will unlock and restore the member's water service as soon as practicable, and the member account will be re-instated as a Member in Good Standing with no prejudice, and with all member rights fully restored from that point forward.

The President of the Board will have the authority to accelerate reinstatement to Member in Good Standing and to have water service restored, on a discretionary basis, for those members who request to bring their accounts current over time by making reasonable regularly scheduled monthly payments, not to exceed a 12 month period. The President will consider the members' payment history, as well as any extenuating circumstances the member may provide by way of explanation, in exercising his/her discretion to accelerate reinstatement of water service before an inactive account balance is paid in full. Any such arrangement made will be documented in writing by the President. The imposition of additional late fees may be suspended so long as regular monthly payments are made in a good faith effort to catch up the past due balance. A member operating under a payment plan will continue to be assessed any annual dues and capital assessments which occur during the payment plan period.

Approved by the Board of Directors on October 19, 2015.

President
Mark Allred

Secretary
David Meyer