

filed electronically in docket office on 02/22/12

**IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

RE:

**BERRY'S CHAPEL UTILITY, INC.'s
PETITION FOR ADJUSTMENT OF
RATES**

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)
) **DOCKET NO. 11-00198**
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**DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND PROTECTION
DIVISION TO BERRY'S CHAPEL UTILITY, INC.**

To: Berry's Chapel Utility Inc.
c/o Henry Walker, Esq.
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
PO Box 340025
Nashville, Tennessee 37203

DISCOVERY REQUESTS

1. The Consumer Advocate incorporates the Data Request filed by the TRA Staff on January 10, 2012, in this Docket No. 11-00198 as if fully stated herein, and expressly reserves the right to seek supplemental responses and/or file a motion to compel if the Consumer Advocate determines that any responses to the Data Request are inadequate or incomplete.

RESPONSE: Noted.

2. Please provide electronic copies (preferably in Microsoft Excel format) of any and all exhibits filed with, or in relation to, Lynwood's Petition to Change and Increase Rates and Charges, as well as the testimony of Tyler Ring and James B. Ford.

RESPONSE: Noted. Berry's Chapel Petition as Lynwood is no longer a corporate entity. Will also provide Scott Davis Information. See: COMPANY STATEMENT ON DATA attached.

3. Identify any and all expert witnesses the Company intends to call in support of the petition in this docket, and for each expert witness:

- (a) Identify the field in which the witness is to be offered as an expert;
- (b) Provide complete background information, including the witness's current employer, as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify;

- (c) Identify all publications written or presentations presented in whole or in part by the witness, including either a copy of all such publications and presentations or a reference_ to where such publications and presentations may be publicly obtained;
- (d) Provide the grounds (including without limitation any factual bases) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (e) Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (f) Identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;
- (g) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert; and
- (h) Please produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, and file notes produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE: Tyler L. Ring **Management & Engineering Matters**
James B. Ford **Accounting & Financial Matters**
Scott Davis **Operations and Maintenance, TDEC Matters**

4. Identify any and all non-expert witnesses the Company intends to call in support of the petition in this docket and any position(s) their testimony is intended to support.

RESPONSE: None.

5. Provide a narrative description of the Company's processes for computing, recording and crediting customer monthly bills that includes the following.

a. What software does the Company use for customer billing?

What accounting software does the Company use to record customer charges and credits?

The process and lag dates that the Company uses to collect the customer meter readings from the local water utility.

The name of the individual or individuals that carry out the monthly bill calculation and revenue accounting for the Company. Are these individuals employees of Lynwood? At what offices are these functions carried out?

Make the Company's accounting and billing software available for on-site inspection by the CAPD.

RESPONSE: See RESPONSE TO REQUEST #5 attached.

6. Provide a copy of the Company's monthly hilling register from January 2008 through December 2011 in Excel format. This response should include the customer account number, billing date, payment receipt date, sales volume, bill amount, payment amount, late fees, taxes, and any other charges or fees added to the customer's bill.

RESPONSE: See RESPONSE TO REQUEST #5 attached. This information is performed by an outside billing company. BCUI only started with 484 customers in May of 2011. The remaining customers are still billed by billing company.

7. Provide the number of monthly bad check charges that the Company has assessed since October 1, 2009.

RESPONSE: Only 1 since October 2009.

8. Provide a copy of the Company's chart of accounts.

RESPONSE: See RESPONSE TO TRA STAFF REQUEST #6.

9. Provide a detail level monthly income statement from January 2008 through December 2011.

RESPONSE: See RESPONSE TO TRA STAFF REQUEST #6.

10. Provide a detail level monthly balance sheet from January 31, 2008 through December 31, 2011.

RESPONSE: See RESPONSE TO TRA STAFF REQUEST #6.

11. Provide a calculation of the tap fees charged to any non-residential customer since January 2008 that were based upon peak daily usage.

RESPONSE: None.

12. Provide a summary narrative of all amounts charged to and received from the Company's customers for the odorization surcharge of \$038/1,000 gallons that was approved in Docket 08-00060. This narrative should include the customer accounts surcharged, the time period that the surcharge remained in effect for each customer and the income statement and balance sheet accounts and amounts that were debited and credited.

RESPONSE: See TRA filing report on Odor Control for this information.

13. Provide a summary narrative of all amounts charged to and received from the Company's customers for the unilateral rate increase of \$20 per month that was implemented by the Company as disclosed in Docket 11-00005, but not approved by the TRA. This narrative should include the customer accounts surcharged, the time period that the surcharge remained in effect for each customer and the income statement and balance sheet accounts and amounts that were debited and credited.

RESPONSE: $840 \times 20 \times 5 = \$84,000$ charged to Revenues then offset as a credit to deferred flood damage.

14. Provide a copy of the Company's bank statements from January 2008 through December 2011.

RESPONSE: This information is available at Company's office for staff's on-site visit.

15. Please explain the rationale for using different test periods for expenses (Aug. 2011) and revenues (Mar. 2011). (Jim Ford direct testimony, page 5 lines 70, 71, & 79-80.)

RESPONSE: Historical volumes were used to determine Normalized Revenues while actual expenses for the test period are used.

16. Please provide the historical volumes for the last twelve months ending June 30, 2011 using current rates.

RESPONSE: See TRA Staff Request #22.

17. Please provide documentation that supports the \$6,620 amount for purchased sewage treatment and explain how this category has increased by 160% since the 2009 TRA final order in Docket No. 09-00034.

RESPONSE: See SUMMARY OF RATE CASE EXPENSES and supporting schedule.

18. Please provide documentation that supports the \$55,269 amount for sludge removal and explain how this category has increased by 60% since the 2009 TRA final order in Docket No. 09-00034.

RESPONSE: See RESPONSE TO REQUEST #17 attached.

19. Please provide documentation that supports the \$3,260 amount for sludge removal in your 2010 annual report filed 9/29/2011 and explain why you're now requesting \$55,269 for this category.

RESPONSE: Annual Report filed 9/29/2011 represents 8 months of Operations ending 8/31/2010. This completed LUC operations at date of merger into BCUI.

20. Please provide documentation that supports the \$70,405 amount for purchased power and explain why this category has increased by 35% since the 2009 TRA final order in Docket No. 09-00034.

RESPONSE: See RESPONSE TO REQUEST #17 attached.

21. Please provide documentation that supports the \$30,467 amount for purchased power in your 2010 annual report filed 9/29/2011 and explain why you're now requesting \$70,405 for this category.

RESPONSE: See RESPONSE TO REQUEST #19 attached.

22. Please provide documentation that supports the \$29,847 amount for chemicals in your 2010 annual report filed 9/29/2011 and explain why you're now requesting \$45,709 for this category.

RESPONSE: See RESPONSE TO REQUEST #19 attached.

23. Please provide documentation that supports the \$58,379 amount for materials & supplies and explain why this category has increased by 185% since the 2009 TRA final order in Docket No. 09-00034.

RESPONSE: See RESPONSE TO REQUEST #17 attached.

24. Please provide documentation that supports the \$35,369 amount for materials & supplies in your 2010 annual report filed 9/29/2011 and explain why you're now requesting \$58,379 for this category.

RESPONSE: See RESPONSE TO REQUEST #19 attached.

25. Please provide documentation that supports the \$168,224 amount for contractual services in your 2010 annual report filed 9/29/2011 and explain where these expenses are found in your petition.

RESPONSE: See RESPONSE TO REQUEST #19 attached.

26. Please provide documentation that supports the \$9,979 amount for tax accounting and explain why this category has increased by 250% since the 2009 TRA final order in Docket No. 09-00034.

RESPONSE: See RESPONSE TO REQUEST #17 attached.

27. Please provide documentation that supports the \$33,235 amount for legal services and explain why this category has increased by 273% since the 2009 TRA final order in Docket No. 09-00034.

RESPONSE: See RESPONSE TO REQUEST #17 attached.

28. Please provide documentation that supports the \$12,000 amount for rent and explain why this category has increased by 16% since the 2009 TRA final order in Docket No. 09-00034.

RESPONSE: See RESPONSE TO REQUEST #19 attached.

29. Please provide documentation that supports the \$8,672 amount for rent in your 2010 annual report filed 9/29/2011 and explain why you're now requesting \$12,000 for this category.

RESPONSE: See RESPONSE TO REQUEST #19 attached.

30. Please provide documentation that supports the \$31,042 amount for insurance and explain why this category has increased by 66% since the 2009 TRA final order in Docket No. 09-00034, and provide a copy of all policies and invoices for those policies.

RESPONSE: See RESPONSE TO REQUEST #17 attached.

31. Please provide documentation that supports the \$48,613 amount for miscellaneous expenses and explain why this category has increased by 2,884% since the 2009 TRA final order in Docket No. 09-00034. The breakdown from your current petition is as follows: \$13,961 for customer accounting, \$3,926 for telephone, \$14,876 for office supplies, \$13,034 for injuries and damage, and other misc. expenses of \$2,816.

RESPONSE: See RESPONSE TO REQUEST #17 attached.

32. Please provide documentation that supports the \$29,902 amount for taxes other than income taxes and explain why this category has increased by 44% since the 2009 TRA final order in Docket No. 09-00034.

RESPONSE: See TRA Staff Request #49.

33. Please provide documentation that supports the \$145,116 amount for depreciation and explain why this category has increased by 19% since the 2009 TRA final order in Docket No. 09-00034.

RESPONSE: See RESPONSE TO REQUEST #33 attached.

34. Please provide documentation that supports the \$99,502 amount for depreciation in your 2010 annual report filed 9/29/2011 and explain why you're now requesting \$145,116 for this category.

RESPONSE: See RESPONSE TO REQUEST #19 attached.

35. Please provide documentation that supports the \$218,000 amount for the 2010 flood damage and show check copies and all other forms of documentation from FEMA that shows what they've paid in claims and why they haven't paid any more than the \$28,000 stated in your petition. Also include check copies of the claims paid that comprise the \$28,000 and copies of all checks or other form of payment for any amount claimed for flood damage. To be clear, the Consumer Advocate wants to know what has actually been paid versus what is claimed to be owed or projected as an expense.

RESPONSE: See ITEM #13 in the PETITION TO RECOVER COSTS TO REPAIR FLOOD DAMAGE AND TO REFUND CUSTOMER SERVICE FEES. Of the \$218,000 total, \$72,792.66 has been paid out and invoices to support this are in the PETITION. \$58,925 is recorded in Accounts Payable to Vendors, and \$58,282.34 is the projected amount of expense that will be incurred once funds are available to complete repairs.

36. In the current petition 11-00198, Berry's Chapel shows total operating expenses of \$853,994. This number is 37% higher than the total expenses allowed in the 2009 TRA final order in Docket No. 09-00035 of \$623,681. Secondly, the \$853,995 is 95% higher than what you show for your 2010 annual report filed 9/29/2011. That statement shows total operating expenses of \$437,680. Please explain how the numbers asked for in the Company's current petition are 37% higher than in the Docket No. 09-00034 settlement and 95% higher than the 2010 annual report.

RESPONSE: See RESPONSE TO REQUEST #17 and REQUEST #19 attached.

37. Which set of books for future financial reporting (i.e. Berry's Chapel audited financial statements or Lynwood's 2010 annual report submitted to the TRA) are going to be used by Berry's Chapel? Reference Lynwood's 9/29/2011 cover letter to the TRA. For example, on your audited Berry's Chapel balance sheet dated 6/30/11, the utility shows a Utility Plant In Service balance of \$5.6M and your annual report for 2010 (submitted on 9/29/2011) shows a Utility Plant In Service balance of \$1.5M.

RESPONSE: Company will use BCUI accounts for future annual reporting. BCUI will use actual historical balance for the rate making process.

38. Does Berry's Chapel recognize that utility plant should be recorded at original cost per pages 18 and 47 of the Uniform System of Accounts for Class B wastewater utilities?

RESPONSE: BCUI recognizes that utility plant should be recorded at original cost for ratemaking purposes and will maintain records for this purpose. BCUI maintains its financial records per GAAP as reported in the 6/30/2011 Audit Report dated October 2011. This report reflects the value of BCUI assets net of the debt assumed in the merger and the customer's equity created in the transaction.

39. Provide the depreciation rates by plant account used to calculate depreciation expense, as well as any depreciation studies underlying the current depreciation rates.

RESPONSE: Depreciation rates by plant accounts are the same that were set by the TRA in the 2002 case and have used since then. (Also in 2006 and the 2008 rate cases).

40. What is the current status of any pending loan or grant applications for Berry's Chapel? Please provide a copy of any pending application.

RESPONSE: So far, discussions of the Grant Request have been verbally declined, as the customer base annual median income level is too high to qualify for a grant. BCUI is in discussion with several banks related to the possibility of a USDA insured loan. BCUI has had discussions with the USDA about a direct loan. The discussion is still ongoing.

41. Please provide the full legal name, title, address, telephone number, and e-mail address for each person responsible for completing this set of discovery.

RESPONSE: James B. Ford, 321 Billingsly Square, Franklin, TN 37068 615-308-8502
jburtonford@comcast.net

42. For Berry's Chapel, please produce a copy of each organizational document, including the charter, articles of incorporation, by-laws, and any other governing document, and all amendments to each governing document, including any state and Federal Notices of Determination of nonprofit status.

RESPONSE: This information is available for staff review during their on-site visit.

43. For Berry's Chapel, please identify by full legal name, title, address, telephone number, and e-mail address for each director or officer, historical and current. If any officer or director has resigned since the incorporation, please provide the reasons for such removal or resignation.

RESPONSE:	Tyler L. Ring	Director	321 Billingsly Square Franklin, TN 37068
	John D. Ring	Director	321 Billingsly Square Franklin, TN 37068
	James B. Ford	Director	321 Billingsly Square Franklin, TN 37068

Email is: berrychapel@gmail.com

44. Please produce a copy of Berrys' Chapel's mission statement.

RESPONSE: MISSION STATEMENT: BERRYS' CHAPEL UTILITY, INC., A NOT FOR PROFIT CORPORATION, WAS ESTABLISHED TO PROVIDE QUALITY WASTEWATER TREATMENT SERVICES TO THE BERRYS' CHAPEL COMMUNITY WHILE ENVIROMENTALLY PROTECTING THE HARPETH RIVER WATERSHEAD.

45. For Berry's Chapel, please produce a copy of each document with respect to each meeting, whether regular, special, or otherwise, of the board of directors or any committee or sub-committee thereof, including:

- a. the announcement and the persons to whom the announcement was sent;
the agenda; the minutes and/or resolutions of meeting;
each written report or document provided to those in attendance, including but not limited to any committee report or expert report; and each presentation made at the meeting.

SEE ATTACHMENT # 45

RESPONSE: This information will be provided during the staff's on-site visit.

46. For Berry's Chapel and Lynwood, if separate audited financial statements or opinions have been prepared since 2010, including the October 2011 work by Lattimore Black Morgan & Cain, PC, please provide a copy of those audits or opinions and all working papers prepared by the auditors.

RESPONSE: A copy of the BCUI 6/30/2011 Audit Report dated October 2011 from LBMC is attached as RESPONSE TO REQUEST #46. Audit work papers are the property of the auditors and BCUI does not have a copy.

47. Please provide all documents evidencing the merger of Lynwood and Berry's Chapel, including all corporate documents of either entity as well as any notes, memoranda or the like evidencing the relevant discussions or deliberations leading up to or after the merger.

SEE ATTACHMENT # 47

RESPONSE: This information is available at the BCUI office for staff review during its onsite visit.

RESPECTFULLY SUBMITTED,

RESPONSE
TO
CAPD
REQUEST
#45

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY, INC.
DECEMBER 20, 2011**

A MEETING OF THE Board of Directors of Berry's Chapel Utility, Inc. was held at 7:30 am on Tuesday, December 20, 2011 at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of November 21, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Mr. Ford gave a financial report to the Board of Directors for the four (4) months ended October 31, 2011. Copy of report is attached.


Mr. Ford also reported that all filing needed to request the rate increase (i.e. Flood damage, \$190,000, Rate increase \$398,000, and emergency rate relief, \$108,000) had been filed with the TRA.

Mr. Ford noted that without these increases in place very soon the Company would not have the funds to pay its taxes (both State and Local of \$37,000) and fund ongoing operations and payments to local vendors that are being held as long as possible.

Mr. Ford also stated that without the requested rate relief, the Company will have to seek protection under the bankruptcy laws. Based on discussions with attorneys, the Company could file under Chapter 11 and ask the court to set the rates in order to operate and pay all of its bills.

Mr. Ford also discussed his ongoing meetings with 5th/3rd Bank related to obtaining a USDA insured loan of \$3,500,000 to pay off current bank debt and fund new TDEC requirements.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion ~~the~~ motion passed 3-0 and the meeting was adjourned.


James B. Ford, Secretary

1/24/2012
Date

BERRY'S CHAPEL UTILITY INC

Profit & Loss

July through November 2011

	Jul - Nov 11
Income	
501.1 · RESIDENTIAL REVENUE	
501.01 · RESIDENTIAL REVENUE HB & TS	97,395.46
501.02 · RESIDENTIAL REVENUE - COF	204,577.82
501.03 · RESIDENTIAL REVENUE - MVUD	2,698.76
501.1 · RESIDENTIAL REVENUE - Other	25,430.19
Total 501.1 · RESIDENTIAL REVENUE	330,102.23
501.2 · FACILITY CHARGE	
501.21 · FACILITY CHARGE - HB & TS	0.00
501.22 · FACILITY CHARGE - COF	0.00
501.23 · FACILITY CHARGE - MVUD	0.00
501.2 · FACILITY CHARGE - Other	0.00
Total 501.2 · FACILITY CHARGE	0.00
501.3 · PENALTY CHARGE	
501.31 · PENALTY CHARGE - HB & TS	0.00
501.32 · PENALTY CHARGE COF	2,874.04
501.33 · PENALTY CHARGE - MVUD	100.90
501.3 · PENALTY CHARGE - Other	345.71
Total 501.3 · PENALTY CHARGE	3,320.65
501.4 · NON-RESIDENTIAL REVENUE	
501.42 · NON-RESIDENTIAL REVENUE - COF	8,251.32
Total 501.4 · NON-RESIDENTIAL REVENUE	8,251.32
501.5 · NON-RESIDENTIAL FACILITY	
501.52 · NON-RESIDENTIAL FACILITIES CHAR	0.00
Total 501.5 · NON-RESIDENTIAL FACILITY	0.00
501.6 · FEES	
501.61 · TAP FEES	0.00
501.62 · SEWER CONNECTION FEES	250.00
501.63 · OTHER MISC. FEES	-20.00
501.6 · FEES - Other	0.00
Total 501.6 · FEES	230.00
501.7 · SURCHARGE COLLECTIONS ODOR CONT	-14,462.44
Total Income	327,441.76
Gross Profit	327,441.76
Expense	
701 · PURCHASED WATER	
701.1 · PURCHASED WATER - PLANT	2,938.67
701.2 · PURCHASED WATER - PUMP STATIONS	203.40
Total 701 · PURCHASED WATER	3,142.07
711 · SLUDGE	
711.1 · SLUDGE REMOVAL	12,148.35
Total 711 · SLUDGE	12,148.35
715 · ELECTRICITY	
715.1 · ELECTRICITY - PLANT	22,027.90
715.2 · ELECTRICITY - PUMP STATIONS	2,995.48
Total 715 · ELECTRICITY	25,023.38
718 · CHEMICALS	
718.1 · METHANOL	10,465.52
718.2 · CHEMICAL - OTHER	7,700.82
718 · CHEMICALS - Other	1,073.80
Total 718 · CHEMICALS	19,240.14

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Basis

BERRY'S CHAPEL UTILITY INC
Profit & Loss
July through November 2011

	Jul - Nov 11
720 · Office Supplies	
720.1 · PRINTING	1,799.84
720.2 · TELEPHONE	1,969.79
720.3 · GENERAL SUPPLIES	585.19
720.4 · SYSTEMS EXPENSE	8,589.59
Total 720 · Office Supplies	12,944.41
731 · Professional Fees	
731.1 · ENGINEER	1,991.00
731.2 · LEGAL	10,873.75
731.3 · ACCOUNTING	6,810.00
731.4 · OPERATIONS	7,750.00
731.6 · TAXES	920.00
731.6 · TESTING	2,468.20
731.9 · OTHER	2,040.40
Total 731 · Professional Fees	32,853.35
731.8 · PROF FEES-OTHER DVL	1,092.00
732 · CUSTOMER ACCOUNTING	
732.2 · ACCOUNTING & BOOKKEEPING	15,685.60
732.4 · BAD DEBT EXPENSE	1,000.02
Total 732 · CUSTOMER ACCOUNTING	16,685.62
732.11 · Billing & Collections HB & TS	0.00
732.12 · Billing & Collections COF	15,413.86
736 · OPERATIONS	
736.1 · OPERATION - WAGES	15,437.60
736.2 · REPAIRS & MAINTENANCE	32,011.19
736.3 · MATERIALS & SUPPLIES R&M	10,291.84
736.4 · TRANSPORTATION EXPENSE	2,481.17
Total 736 · OPERATIONS	60,221.80
740 · ADMINISTRATIVE	
740.1 · RENTS	8,333.35
Total 740 · ADMINISTRATIVE	8,333.35
745.1 · REGULATORY EXPENSE	5,589.90
745.2 · RATE CASE EXPENSE	8,000.00
750 · INSURANCE	
750.1 · INSURANCE - FACILITY	2,279.61
750.3 · INSURANCE - GENERAL LIABILITY	1,258.12
750.4 · INSURANCE - WORKERS COMP	289.24
750.5 · INSURANCE- OTHER	6,191.57
750 · INSURANCE - Other	1,151.71
Total 750 · INSURANCE	11,170.25
760 · DEPRECIATION	
760.1 · DEPRECIATION EXPENSE	86,690.00
Total 760 · DEPRECIATION	86,690.00
775 · MISC. EXPENSE	
775.1 · MISC EXPENSE - DUES	814.40
775.2 · MISC EXPENSE - OTHER	5,603.44
775 · MISC. EXPENSE - Other	771.50
Total 775 · MISC. EXPENSE	7,189.34
780 · INTEREST EXPENSE	
780.1 · INTEREST EXP - SHORT TERM DEBT	6,888.27
780.2 · INTEREST EXP - LONG TERM DEBT	51,573.23
780.3 · INTEREST EXP - OTHER	816.35
780 · INTEREST EXPENSE - Other	10.92
Total 780 · INTEREST EXPENSE	59,288.77

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Basis

BERRY'S CHAPEL UTILITY INC
Profit & Loss
July through November 2011

	Jul - Nov 11
790 · TAXES OTHER THAN INCOME TAXES	
790.1 · TAXES - PROPERTY	15,000.00
790.2 · TAXES - FRANCHISE	4,300.00
Total 790 · TAXES OTHER THAN INCOME TAXES	19,300.00
796 · TAXES	
796.3 · TAXES - OTHER	0.00
Total 796 · TAXES	0.00
Total Expense	404,326.59
Net Income	-76,824.83

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Basis

BERRY'S CHAPEL UTILITY INC
Balance Sheet
As of November 30, 2011

	Nov 30, 11
ASSETS	
Current Assets	
Checking/Savings	
131 · CHECKING - TN COMMERCE BANK	50,886.36
132 · PETTY CASH	260.00
Total Checking/Savings	51,146.36
Other Current Assets	
141.1 · ACCOUNTS RECEIVABLE	130,836.28
141.2 · RESERVE FOR BAD DEBTS	-3,478.03
Total Other Current Assets	127,358.25
Total Current Assets	178,504.61
Fixed Assets	
101.1 · LAND	50,000.00
101.2 · STRUCTURE & IMPROVEMENTS	155,580.00
101.3 · PUMP EQUIPMENT	619,809.00
101.4 · COLLECTION SYSTEM	2,269,400.00
101.5 · LAB EQUIPMENT	92,436.56
101.6 · TREATMENT & DISPOSAL	2,398,656.00
101.7 · TRANSPORTATION EQUIPMENT	57,910.00
105.0 · CONSTRUCTION WORK IN PROGRESS	34,515.19
108.1 · DEPRECIATION- ACCUM	
108.2 · ACCUM DEPR-STRUCTURES & IMPROVE	-4,860.00
108.3 · ACCUM DEPR-PUMP EQUIPMENT	-77,477.00
108.4 · ACCUM DEPR-COLLECTION SYSTEM	-67,320.00
108.5 · ACCUM DEPR-LAB EQUIPMENT	-18,330.00
108.6 · ACCUM DEPR-TREATMENT & DISPOSAL	-77,610.00
108.7 · ACCUM DEPR-TRANSPORTATION EQUIP	-14,475.00
Total 108.1 · DEPRECIATION- ACCUM	-260,072.00
Total Fixed Assets	5,418,234.75
Other Assets	
171.1 · RENT DEPOSIT-321 BILLINGS LY SQ	1,500.00
171.2 · CONTAINER DEPOSIT-TREATMENT PLT	1,500.00
171.3 · DEFERRED ODOR CONTROL	36,446.50
171.4 · DEFERRED COST - FLOOD DAMAGE	120,371.14
171.5 · DEFERRED COST - RATE CASE EXPEN	21,761.30
Total Other Assets	181,578.94
TOTAL ASSETS	5,778,318.30
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
231.1 · ACCOUNTS PAYABLE	136,686.91
Total Accounts Payable	136,686.91
Other Current Liabilities	
231.2 · ACCOUNTS PAYABLE FLOOD DAMAGE	58,925.00
233.1 · ACCURED INTEREST	60,000.00
236.2 · ACCURED STATE F & E	12,758.97
236.3 · ACCURED PROPERTY TAX	22,503.00
236.4 · ACCURED RENT EXPENSE	21,666.68
238.1 · RESERVE FOR INJURIES & DAMAGES	10,000.00
238.2 · RES RENEWAL & REPLACEMENTS	7,000.00
240.1 · ADVANCE FROM SUI	152,207.75
240.2 · SHORT TERM DEBT - TCB	249,350.19
Total Other Current Liabilities	594,411.59
Total Current Liabilities	731,098.50

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Basis

BERRY'S CHAPEL UTILITY INC
Balance Sheet
As of November 30, 2011

	Nov 30, 11
Long Term Liabilities	
250.1 · LONG TERM DEPT - TCB	1,075,549.09
256.2 · Long Term Debt - JDR	1,200,000.00
256.3 · LONG TERM DEBT - TLR	1,200,000.00
Total Long Term Liabilities	3,475,549.09
Total Liabilities	4,206,647.59
Equity	
270.1 · BEGINING FUND BALANCE	1,989,738.87
32000 · Retained Earnings	-84,415.62
Net Income	-353,650.54
Total Equity	1,571,670.71
TOTAL LIABILITIES & EQUITY	5,778,318.30

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY, INC.
NOVEMBER 21, 2011**

A MEETING OF THE Board of Directors of Berry's Chapel Utility, Inc. was held at 7:30 am on Monday, November, 21, 2011 at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of October 18, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Mr. Ford gave a financial report to the Board of Directors for the three (3) months ended September 31, 2011. Copy of report is attached.

Mr. Ford also reported that a filing has been made with the TRA to recover \$43,963.04 of odor control cost on November 4, 2011. In addition a filing has been with the TRA to recover \$190,237.00 of flood damage due to the May 1, 2010 flood in the service areas. The company has proposed to offset the \$69,866 of facilities charges collected disputed by the CAD. This proposal is under study by the AG; CAD.

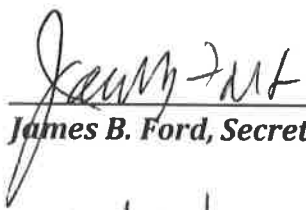
On November 15, 2011 the company directed our attorney to file for an increase in general rates of \$398,853 with the Tennessee Regulatory Authority.

On November 21, 2011, the company also directed our attorney to file for emergency rate relief for lost volumes from the 2008 rate case in the amount of \$108,000. This should be done by November 30, 2011.


Mr. Tyler Ring made a motion to ratify and approve the above rate actions taken by the company, seconded by Mr. Ford and motion passed 3-0.

Mr. Ford then reported that he and Mr. Tyler Ring had entered into discussion with USDA for possible grants and loans to support the company's needs to capital requirements set forth in Mr. Scott Davis report on improvements needed to meet TDEC requirements totaling \$2,235,000 attached.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary



Date

BERRY'S CHAPEL UTILITY INC
Balance Sheet
 As of September 30, 2011

	Sep 30, 11
ASSETS	
Current Assets	
Checking/Savings	
131 · CHECKING - TN COMMERCE BANK	35,164.75
132 · PETTY CASH	260.00
Total Checking/Savings	35,424.75
Other Current Assets	
141.1 · ACCOUNTS RECEIVABLE	130,186.69
141.2 · RESERVE FOR BAD DEBTS	-3,501.18
Total Other Current Assets	126,685.51
Total Current Assets	162,110.26
Fixed Assets	
101.1 · LAND	50,000.00
101.2 · STRUCTURE & IMPROVEMENTS	155,580.00
101.3 · PUMP EQUIPMENT	619,809.00
101.4 · COLLECTION SYSTEM	2,269,400.00
101.5 · LAB EQUIPMENT	92,436.56
101.6 · TREATMENT & DISPOSAL	2,398,656.00
101.7 · TRANSPORTATION EQUIPMENT	57,910.00
106.0 · CONSTRUCTION WORK IN PROGRESS	36,016.44
108.1 · DEPRECIATION- ACCUM	
108.2 · ACCUM DEPR-STRUCTURES & IMPROVE	-4,212.00
108.3 · ACCUM DEPR-PUMP EQUIPMENT	-67,147.00
108.4 · ACCUM DEPR-COLLECTION SYSTEM	-58,344.00
108.5 · ACCUM DEPR-LAB EQUIPMENT	-15,886.00
108.6 · ACCUM DEPR-TREATMENT & DISPOSAL	-67,262.00
108.7 · ACCUM DEPR-TRANSPORTATION EQUIP	-12,545.00
Total 108.1 · DEPRECIATION- ACCUM	-225,396.00
Total Fixed Assets	5,454,412.00
Other Assets	
171.1 · RENT DEPOSIT-321 BILLINGSLY SQ	1,500.00
171.2 · CONTAINER DEPOSIT-TREATMENT PLT	1,500.00
171.3 · DEFERRED ODOR CONTROL	40,138.75
171.4 · DEFERRED COST - FLOOD DAMAGE	120,371.14
171.5 · DEFERRED COST - RATE CASE EXPEN	24,811.30
Total Other Assets	188,321.19
TOTAL ASSETS	5,804,843.45
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
231.1 · ACCOUNTS PAYABLE	128,874.31
Total Accounts Payable	128,874.31
Other Current Liabilities	
231.2 · ACCOUNTS PAYABLE FLOOD DAMAGE	58,925.00
233.1 · ACCURED INTEREST	52,000.00
236.2 · ACCURED STATE F & E	15,858.97
236.3 · ACCURED PROPERTY TAX	14,003.00
236.4 · ACCURED RENT EXPENSE	18,333.34
238.1 · RESERVE FOR INJURIES & DAMAGES	10,000.00
238.2 · RES RENEWAL & REPLACEMENTS	7,250.00
240.1 · ADVANCE FROM SUI	153,371.34
240.2 · SHORT TERM DEBT - TCB	249,350.19
Total Other Current Liabilities	579,091.84
Total Current Liabilities	707,966.15

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Basis

BERRY'S CHAPEL UTILITY INC**Balance Sheet****As of September 30, 2011**

	Sep 30, 11
Long Term Liabilities	
250.1 · LONG TERM DEPT - TCB	1,087,289.54
256.2 · Long Term Debt - JDR	1,200,000.00
256.3 · LONG TERM DEBT - TLR	1,200,000.00
Total Long Term Liabilities	3,487,289.54
Total Liabilities	4,195,255.69
Equity	
270.1 · BEGINING FUND BALANCE	1,989,736.87
32000 · Retained Earnings	-64,415.62
Net Income	-315,733.49
Total Equity	1,609,587.76
TOTAL LIABILITIES & EQUITY	5,804,843.45

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Basis

BERRY'S CHAPEL UTILITY INC
Profit & Loss
July through September 2011

	Jul - Sep 11
Income	
501.1 · RESIDENTIAL REVENUE	
501.01 · RESIDENTIAL REVENUE HB & TS	75,717.63
501.02 · RESIDENTIAL REVENUE - COF	124,973.13
501.03 · RESIDENTIAL REVENUE - MVUD	2,075.00
Total 501.1 · RESIDENTIAL REVENUE	202,765.76
501.2 · FACILITY CHARGE	
501.21 · FACILITY CHARGE - HB & TS	0.00
501.22 · FACILITY CHARGE - COF	0.00
501.23 · FACILITY CHARGE - MVUD	0.00
501.2 · FACILITY CHARGE - Other	0.00
Total 501.2 · FACILITY CHARGE	0.00
501.3 · PENALTY CHARGE	
501.31 · PENALTY CHARGE - HB & TS	0.00
501.32 · PENALTY CHARGE COF	1,683.38
501.33 · PENALTY CHARGE - MVUD	79.79
501.3 · PENALTY CHARGE - Other	0.00
Total 501.3 · PENALTY CHARGE	1,763.17
501.4 · NON-RESIDENTIAL REVENUE	
501.42 · NON-RESIDENTIAL REVENUE - COF	4,125.66
Total 501.4 · NON-RESIDENTIAL REVENUE	4,125.66
501.5 · NON-RESIDENTIAL FACILITY	
501.52 · NON-RESIDENTIAL FACILITIES CHAR	0.00
Total 501.5 · NON-RESIDENTIAL FACILITY	0.00
501.6 · FEES	
501.61 · TAP FEES	0.00
501.62 · SEWER CONNECTION FEES	0.00
501.63 · OTHER MISC. FEES	0.00
Total 501.6 · FEES	0.00
501.7 · SURCHARGE COLLECTIONS ODOR CONT	-8,810.19
Total Income	199,844.40
Gross Profit	199,844.40
Expense	
701 · PURCHASED WATER	
701.1 · PURCHASED WATER - PLANT	1,719.59
701.2 · PURCHASED WATER - PUMP STATIONS	122.04
Total 701 · PURCHASED WATER	1,841.63
711 · SLUDGE	
711.1 · SLUDGE REMOVAL	6,371.72
Total 711 · SLUDGE	6,371.72
715 · ELECTRICITY	
715.1 · ELECTRICITY - PLANT	13,245.90
715.2 · ELECTRICITY - PUMP STATIONS	1,794.64
Total 715 · ELECTRICITY	15,040.54
718 · CHEMICALS	
718.1 · METHANOL	5,499.52
718.2 · CHEMICAL - OTHER	4,110.54
718 · CHEMICALS - Other	1,073.80
Total 718 · CHEMICALS	10,683.86

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Basis

BERRY'S CHAPEL UTILITY INC
Profit & Loss
July through September 2011

	<u>Jul - Sep 11</u>
720 · Office Supplies	
720.1 · PRINTING	1,212.28
720.2 · TELEPHONE	1,208.12
720.3 · GENERAL SUPPLIES	405.01
720.4 · SYSTEMS EXPENSE	3,681.25
Total 720 · Office Supplies	<u>6,506.66</u> ✓
731 · Professional Fees	
731.1 · ENGINEER	1,275.00
731.2 · LEGAL	6,373.75
731.3 · ACCOUNTING	4,460.00
731.4 · OPERATIONS	4,650.00
731.5 · TAXES	920.00
731.6 · TESTING	1,160.50
731.9 · OTHER	2,040.40
Total 731 · Professional Fees	<u>20,879.65</u> ✓
731.8 · PROF FEES-OTHER DVL	0.00
732 · CUSTOMER ACCOUNTING	
732.2 · ACCOUNTING & BOOKKEEPING	11,651.80
Total 732 · CUSTOMER ACCOUNTING	<u>11,651.80</u>
732.11 · Billing & Collections HB & TS	0.00
732.12 · Billing & Collections COF	9,234.17 ✓
736 · OPERATIONS	
736.1 · OPERATION - WAGES	10,356.80
736.2 · REPAIRS & MAINTENANCE	21,102.80
736.3 · MATERIALS & SUPPLIES R&M	7,090.03
736.4 · TRANSPORTATION EXPENSE	1,981.17
Total 736 · OPERATIONS	<u>40,530.80</u>
740 · ADMINISTRATIVE	
740.1 · RENTS	5,000.01
Total 740 · ADMINISTRATIVE	<u>5,000.01</u> ✓
746.1 · REGULATORY EXPENSE	3,569.90 ✓
746.2 · RATE CASE EXPENSE	3,200.00 ✓
750 · INSURANCE	
750.1 · INSURANCE - FACILITY	759.87
750.3 · INSURANCE - GENERAL LIABILITY	629.06
750.4 · INSURANCE - WORKERS COMP	144.62
750.6 · INSURANCE- OTHER	3,669.32
750 · INSURANCE - Other	1,151.71
Total 750 · INSURANCE	<u>6,354.58</u> ✓
760 · DEPRECIATION	
760.1 · DEPRECIATION EXPENSE	52,014.00
Total 760 · DEPRECIATION	<u>52,014.00</u> ✓
775 · MISC. EXPENSE	
775.1 · MISC EXPENSE - DUES	664.40
775.2 · MISC EXPENSE - OTHER	1,125.70
775 · MISC. EXPENSE - Other	-3,742.49
Total 775 · MISC. EXPENSE	<u>-1,952.39</u> ✓
780 · INTEREST EXPENSE	
780.1 · INTEREST EXP - SHORT TERM DEBT	4,141.97
780.2 · INTEREST EXP - LONG TERM DEBT	32,952.06
780.3 · INTEREST EXP - OTHER	491.22
Total 780 · INTEREST EXPENSE	<u>37,585.25</u> ✓
790 · TAXES OTHER THAN INCOME TAXES	
790.1 · TAXES - PROPERTY	6,500.00
790.2 · TAXES - FRANCHISE	3,800.00
Total 790 · TAXES OTHER THAN INCOME TAXES	<u>10,300.00</u> ✓

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BERRY'S CHAPEL UTILITY INC
Profit & Loss
July through September 2011

	Jul - Sep 11
796 · TAXES	
796.3 · TAXES - OTHER	0.00
Total 796 · TAXES	0.00
Total Expense	238,812.18
Net Income	-38,967.78

IMPROVEMENT REQUEST

GENERATOR AT PLANT LOCATION

A 250 KW Diesel generator will be used to provide electricity to 100 percent of the plant at times of electrical outages.

Currently, when an electrical outage occurs, we manually start a diesel pump to transfer the influent to our basins. Although this can eliminate overflows, it does not provide for any additional treatment. The manually operated pump will only provide minimal additional time for the power to return.

During the course of one year, our wastewater treatment plant experiences approximately 25 emergencies per calendar year. Approximately 1/3 is due to mechanical problems and 2/3 is due to electrical outages. By the addition of a 250 KW Diesel gas generator, 2/3 of the electrical outages can be eliminated. When power outages occur, the self excited Diesel generator with an automatic transfer switch starts up. This will then provide power to all necessary systems at the plant.

HAND RAILING REPAIRS

To increase the safety of employees and all who are a part of our team, we need to improve the quality and stabilization of our hand rails around all basins at our treatment plant. The quality of our present hand rail system is aging and requires adequate repairs to improve the safety of our grounds.

ADDITIONAL DIGESTER SPACE

Currently, existing digester space is under sized. Our current removal process consists of wasting to the digester, removing to our dewatering box, and then hauling to landfill. With our digester space under sized, the process of removing to the dewatering box happens more frequently, resulting in more trips to the landfill. With additional digester space, the removal process can be applied at a more applicable and efficient rate.

MANHOLE & COLLECTION SYSTEM REPAIRS

Inflow and Infiltration is the amount of extraneous water entering a sanitary sewer collection system. Inflow is water that enters the collection system through improper or illegal connections to the sanitary sewer such as downspouts, sump pumps, areaway drains, and foundation/footer drains. Infiltration is groundwater that enters the sewer system through leaks or cracks in sewer pipes or manholes in the collection system. When this excess clear water enters the sanitary sewer it must be moved and treated like sanitary waste. Too much of this clear water in the sanitary system can lead to backups, overflows, and surcharges of raw waste into the streets or homeowners' property. This extra water in the collection system lines also adds to unnecessary increased treatment costs at the wastewater treatment facility.

Repairing manholes and lines throughout our collection system would help prevent an excess of inflow and infiltration, allowing money to be saved by the reduction of flow.

LAB EQUIPMENT

There is now a necessity of conducting all lab tests on site. We currently do not have all the laboratory equipment necessary to perform all tests. While initial start up costs is high, it allows us to get quick results and make immediate changes, as necessary, to our plant.

BOD INCUBATOR

BOD (Biochemical Oxygen Demand) testing requires the sample to be stored at precise temperatures for a duration of 5 days. Our current BOD Incubator only cools by a temperature controller. If the temperature inside the Incubator decreases, there is no way for the incubator to heat back up to the desired temperature. With the purchase of a new BOD Incubator, the desired temperature could be maintained precisely at all times.

UPDATE FLOW METER

Tracking flow data is an important role in the analysis of our plant. Currently our flow meter needs to be calibrated every two months to accurately measure our effluent flow. During winter months and during rain events the transducer is not able to accurately measure our effluent flow. With an updated and more advanced flow meter, analysis of our flow will be more accurate and efficient, improving the overall accuracy of our data collected.

MICROSCOPE

Proper analysis of wastewater treatment requires proper analysis of micro-organism identification. With the purchase of a microscope, sludge identification will be performed accurately and allow us to store our data directly to our computer for enhanced analysis.

ALUM FEEDING SYSTEM

Aluminum sulfate is an industrial chemical used as a flocculating agent for waste water treatment plants. Aluminum Sulfate is used in wastewater treatment because it causes impurities to coagulate which are removed as the particulate settles to the bottom of the container and then is more easily filtered. Aluminum Sulfate currently controls the stability of the sludge. It also participates in the reduction of Total Phosphorus. Because of the daily amount of labor involved in securing the operation, the need for an Alum Feeding System has increased. This new aluminum sulfate feeding system would consist of a 2 pump skid system that would allow you to monitor precisely the amount of aluminum sulfate being delivered to the treatment process. The skid system would include: Schedule 80 PVC piping, pressure relief valves, back pressure valves, calibration column, pulsation dampeners, pressure gauges with guards, EPDM/Hy palon Seals, and a 2-66 GPH 115 VAC Mechanically Actuated Metering Pump.

COLLECTION SYSTEM TELEMETRY

Telemetry is a technology that allows remote measurement and reporting of information. Our current collection system telemetry is outdated and is need for updating for faster response times. Our current telemetry does not differentiate between mechanical and electrical problems. With an updated system, we would be informed of the specific problem and at a faster rate.

UPGRADE BLOWERS

Due to summertime temperatures, the Dissolved Oxygen in the aeration basins approach critically low levels. Because of our biological approach to wastewater treatment, appropriate amounts of oxygen are extremely important for the treatment process. With the upgrades to our blowers, we would be able to produce enough oxygen during the summer months to maintain a steady level of Dissolved Oxygen.

CONFINED SPACE ENTRY

A confined space is defined as having limited or restricted means for entry or exit, and it is not designed for continuous employee occupancy. Lynwood Utility Corporation has hundreds of manholes throughout the collection system that require inspection on an annual basis. The collection system also has several wet wells that require daily inspections. For safety concerns, confined space entry equipment is needed, which includes: a self-contained, retractable 50L lifeline with built-in winch along with a 7H tripod, and a no-tangle harness that has back D-ring and metal-to-metal pass through style leg buckles. Also included is a Com-Pax-lal Blower that is attached to the canister in two positions to provide either ventilation or extraction.

STORAGE SHEDS

As maintenance continues to improve, the addition of tools, equipment, and supplies increase. With already limited space at our wastewater treatment plant, the need for a storage shed arrives. This addition would allow us to increase the organization of our plant, extend the life expectancy of equipment, and reduce the maintenance due to weather related issues. A storage shed would also provide a more efficient layout of our plant and increase the overall aesthetics of the plant.

BUILDING ADDITION AT PLANT

Currently, our wastewater treatment plant consists of an undersized laboratory and a mechanical room. As improvements continue, more equipment and laboratory supplies are needed. With a building addition, our laboratory would increase in size, a break room would be built for employees to eat, a storage room installed for supplies, an office to analyze data, and an additional bathroom. These additions would allow for better conditions and increase the efficiency of our plant.

ULTRAVIOLET DISINFECTION

An Ultraviolet disinfection system transfers electromagnetic energy to an organism's genetic material, DNA and RNA. When UV radiation penetrates the cell wall of an organism, it destroys the cell's ability to reproduce, thus being disinfected.

Currently, the use of Chlorine is used to disinfect any remaining microorganisms and then the Chlorine is removed by the addition of Sulfur Dioxide (SO₂). Both processes can be eliminated by the installation of an ultraviolet disinfection system. This would also increase safety.

Due to safety concern and environmental enhancements, ultraviolet has become the most widely acceptable method of disinfection in the industry. The initial start up cost is substantial; however, it is warranted once you evaluate all the advantages it will provide.

CLARIFIER RETURN SLUDGE PUMP (2)

With the purchase of two clarifier return sludge pumps, we would greatly reduce the amount of air being used to currently return the sludge, therefore allowing more air to circulate in other areas of the plant. Having more air in appropriate areas of the plant allows for a cleaner and more efficient treatment process.

NEW CRANE AT PLANT

A hoist crane is used primarily at Lynwood to raise and lower pumps into the chlorine chamber, D/O Chamber, SO₂ Chamber, sludge digesters, and aeration basins. Currently, the existing hoist crane only allows the pump to be raised and lowered into the sludge digester. A new hoist crane will increase the efficiency of operations, allowing pumps to have access to additional chambers, digesters, and basins. The age and the wear and tear of the existing hoist crane also develops a cause for concern for the safety of employees, thus putting this item at the top of the list for improvements to be made.

GENERATOR AT PUMP STATIONS

A 15 KW Diesel gas generator will be used to provide electricity to the pump stations at times of electrical outages.

Currently we have three pump stations at various locations throughout our collection system. All pump stations run on electricity. Approximately 67% of our pump station emergencies are due to electrical outages. By the addition of a 15 KW Diesel gas generator, all of the electrical outage emergencies can be eliminated, thus eliminating build up of influent in wet wells and eliminating odors that occur from build up.

SOLIDS SEPERATOR

Pre-treatment removes materials that can be easily collected from the raw wastewater before they damage or clog the pumps and skimmers of primary treatment clarifiers

The influent sewage water is currently strained with manually cleaned bar screens that allow solids to still pass through. These bar screens need to be updated to eliminate the solids that still pass through. This is most commonly done with an automated mechanically raked bar screens. In addition, a sand or grit channel or chamber where the velocity of the incoming wastewater is carefully controlled to allow sand, grit and stones to settle is needed. With these upgrade, solids would be more successfully separated and result in higher efficiency of treatment throughout the plant.

ADDITIONAL ODOR & GREASE CONTROL

In most instances, the odors associated with collection systems and primary treatment facilities are generated as a result of an anaerobic or "septic" condition. This condition occurs when oxygen transfer to the wastewater is limited such as in a force main. The byproduct of this activity is hydrogen sulfide (H₂S). Adding additional chemicals at a specific rate with a monitoring odor log and installing additional aerators at the head works of our plant would help increase the DO and help transfer the anaerobic condition to an aerobic condition. This would help eliminate the H₂S, which is the common odor coming from the wastewater treatment process.

UPGRADE PUMP STATION AT PLANT

Currently, the wet well at the head works of the plant is 8' in diameter with our pumps located in a 25' deep, 35 year old can station. With the wet well being only 8' in diameter, there is little to no control on flow stabilization. With the installation of a new 12' wet well and advanced transducers, flow stabilization would be achievable and thus improve the overall treatment and efficiency of our wastewater plant. New submersible pumps would eliminate the process of entering into the can station, improving the overall maintenance process and help enhance safety.

COMPUTER UPGRADES

Computers are a vital component to analyzing data collected at our wastewater treatment plant. Currently, we use an outdated computer with limited software to analyze our data. With the purchase of a new computer with its own server and appropriate software we would be able to track data more efficiently and be able to understand how our plant runs on a higher level. Having our computer system on its own server would allow associates to look at data from multiple locations, improving the efficiency of data analysis.

PHOSPHORUS REMOVAL

Controlling phosphorus discharged from wastewater treatment plants is a key factor in preventing algae growth of surface waters. Phosphorous is one of the major nutrients contributing in the increased algae of lakes and natural waters. With new requirements on our NPDES permit for phosphorus removal, we will need to incorporate highly advanced biological phosphorus removal process.

BACK UP PUMPS FOR EACH PUMP STATION

Currently, each pump station has two pumps working on an alternate rotation. As one pump requires repair, the other pump has to handle the entire flow coming into that wet well. During peaks of high flow, a single pump might not be able to handle the flow coming in. If one pump is being repaired and the other pump suffers any difficulties then there would be no active pumps, thus the need for a back up pump at each pump station.

MOBILE PUMP STATION (TRAILER)

A mobile pump station allows us to respond more appropriate to mechanical problems at our pump stations. A mobile pump station provides assistance in gravity collection systems to by-pass a gravity line during repair. Currently when there is a mechanical problem, time plays an important role in the repair of a collection system pump station pump.

DEWATERING DUMPSTERS

Due to current landfill regulatory requirements additional dewatering dumpsters are needed to obtain more efficient solidification. We currently use one 25 yard dewatering dumpster. With the purchase of a new dewatering dumpster with specific designs to allow for a shorter dewatering time, we will be able to speed up the process of sludge removal and thus improve the wasting process.

POST TREATMENT FILTRATION

Federal and State regulations are requiring effluent standards to be more stringent. This requires us to increase the quality our treatment with the use of a post treatment filtration system. Total Nitrogen, Phosphorus, Suspended Solids, and others can be enhanced with post treatment filtration. As our permit tightens, PTF will be on of the only alternatives and become an extremely viable option. Installing a tertiary and sand filter will capture and excess suspended solids and result in a cleaner effluent.

REMOVAL OF SAND FILTER

During the original construction of Lynwood's wastewater treatment plant, sand filters were installed for post treatment of effluent water. Improvements have been made throughout the years replacing sand filtering post treatment with advanced methods of Chlorine disinfection. These sand filters were never removed and take up sufficient space, preventing any additional advanced treatment methods to be installed in this area. With the demolition of these sand filters, space would open up and allow for further expansion of our plant.

ELECTRICAL CHANGE OVER/ TRANSFER SWITCH

Currently, one of our highest expenses is power used to operate our facility. Our plant runs off a 230 V 3-phase system. By changing over to a 480 V, we would use about $\frac{1}{2}$ the amperage. Amperage translates into KW and we are billed for the amount of KW hours we use. By this electrical change over, we would be able to reduce the amount of KW hours by almost half. Although the initial cost of this conversion would be high, it would save money over a period of time, allowing improvements for other plant procedures.

BERRY'S CHAPEL UTILITY INC. IMPROVEMENT PLAN

ITEM #	ITEM	EQUIPMENT	IMPROVEMENTS	ITEM TOTAL	CUMULATIVE COST
1	Generator (Plant)	\$ 175,500.00		\$ 175,500.00	\$ 175,500.00
2	Repair Hand Railing		\$ 27,750.00	\$ 27,750.00	\$ 203,250.00
3	Additional Digester Space		\$ 31,500.00	\$ 31,500.00	\$ 234,750.00
4	Manhole Repairs		\$ 142,500.00	\$ 142,500.00	\$ 377,250.00
5	Lab Equipment	\$ 26,000.00		\$ 26,000.00	\$ 403,250.00
6	BOD Incubator	\$ 19,500.00		\$ 19,500.00	\$ 422,750.00
7	Flow Meter	\$ 23,400.00		\$ 23,400.00	\$ 446,150.00
8	Microscope	\$ 4,940.00		\$ 4,940.00	\$ 451,090.00
9	Alum Feeding System		\$ 37,500.00	\$ 37,500.00	\$ 488,590.00
10	Collection System Telemetry		\$ 72,000.00	\$ 72,000.00	\$ 560,590.00
11	Upgrade Blowers		\$ 187,500.00	\$ 187,500.00	\$ 748,090.00
12	Confined Space Entry	\$ 19,500.00		\$ 19,500.00	\$ 767,590.00
13	Storage Shade	\$ 16,900.00		\$ 16,900.00	\$ 784,490.00
14	Modification to Building / Break Room		\$ 112,500.00	\$ 112,500.00	\$ 896,990.00
15	Disinfection Upgrades	\$ 130,000.00		\$ 130,000.00	\$ 1,026,990.00
16	Clarifier Return Sludge Pump (2)	\$ 53,300.00		\$ 53,300.00	\$ 1,080,290.00
17	Crane	\$ 20,800.00		\$ 20,800.00	\$ 1,101,090.00
18	Generators (Collection System)	\$ 114,400.00		\$ 114,400.00	\$ 1,215,490.00
19	Solids Separator		\$ 31,500.00	\$ 31,500.00	\$ 1,246,990.00
20	Additional Odor & Grease Control		\$ 60,000.00	\$ 60,000.00	\$ 1,306,990.00
21	Upgrade Pump Station @ Plant		\$ 262,500.00	\$ 262,500.00	\$ 1,569,490.00
22	Computer Upgrades/ Security	\$ 33,800.00		\$ 33,800.00	\$ 1,603,290.00
23	Phosphorus Removal		\$ 52,500.00	\$ 52,500.00	\$ 1,655,790.00
24	Back Up Pumps for Pump Station	\$ 23,400.00		\$ 23,400.00	\$ 1,679,190.00
25	Mobile Pump Station (Trailer)	\$ 48,100.00		\$ 48,100.00	\$ 1,727,290.00
26	Sludge Dumpsters	\$ 78,000.00		\$ 78,000.00	\$ 1,805,290.00
27	Post Treatment Filtration		\$ 210,000.00	\$ 210,000.00	\$ 2,015,290.00
28	Removal of Sand Filter		\$ 16,500.00	\$ 16,500.00	\$ 2,031,790.00
29	Electrical Upgrades/ Transfer Switch		\$ 202,500.00	\$ 202,500.00	\$ 2,234,290.00
	TOTAL	\$ 787,840.00	\$ 1,448,750.00		\$ 2,234,290.00

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY, INC.
OCTOBER 18, 2011**

A MEETING OF THE Board of Directors of Berry's Chapel Utility, Inc. was held at 7:30 am on Tuesday, October 18, 2011 at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of September 22, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

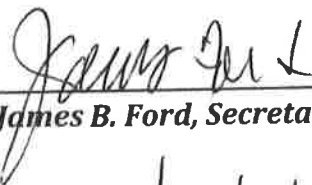
Mr. Ford gave a financial report to the Board of Directors and the status of the rate case. The report related to Financial Security was filed with the TRA on 10/13/2011. The Company was preparing filing related to Odor Control and Flood Damage recovery to be filed in early November.

The Company has received the audit report from Lattimore Black Morgan Cain PC for the 10 months ended June 20, 2011 dated October 21, 2011. The Company has reported a loss for this period of \$341,181. The Auditor stated The Company's significant operating losses and capital deficiency at June 30, 2011 raise substantial doubt about its ability to continue as a going concern.

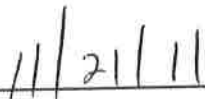
The Auditor also delivered a report stating that no significant errors or irregularities were noted during the audit. A copy of both reports are attached.

The Auditor did note that HB & TS has not paid the Company some \$30,000 due in the computer conversion to BCUI doing the customer billing. Mr. Tyler Ring was directed to discuss this matter with the General Manager of HB & TS Utility District and report to the board.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary



Date

BERRY'S CHAPEL UTILITY, INC.

Financial Statements

June 30, 2011

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

BERRY'S CHAPEL UTILITY, INC.

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LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Berry's Chapel Utility, Inc.:**

We have audited the accompanying balance sheet of Berry's Chapel Utility, Inc. (the "Utility") as of June 30, 2011. This financial statement is the responsibility of the Utility's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because we were not engaged to audit the statements of operations and changes in outstanding fund balance and cash flows, we did not extend our auditing procedures to enable us to express an opinion on results of operations and changes in customer fund balance and cash flows for the period from September 1, 2010 (effective date of merger) through June 30, 2011. Accordingly, we express no opinion on them.

In our opinion, the balance sheet referred to in the first paragraph presents fairly, in all material respects, the financial position of Berry's Chapel Utility, Inc. as of June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying balance sheet has been prepared assuming that the Utility will continue as a going concern. As discussed in Note 13 to the financial statements, the Company's significant operating losses and capital deficiency at June 30, 2011 raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Lattimore Black Morgan & Cain, P.C.

Brentwood, Tennessee
October 21, 2011

BERRY'S CHAPEL UTILITY, INC.

Balance Sheet

June 30, 2011

Assets

Utility Plant:	\$ 5,643,792
Plant in service	<u>24,974</u>
Construction work in progress	5,668,766
	<u>173,382</u>
Less accumulated depreciation	<u>5,495,384</u>
Current assets:	29,617
Cash	
Accounts receivable, less allowance for doubtful accounts of \$5,526	<u>89,042</u>
	<u>118,659</u>
Other assets:	187,447
Regulatory assets	<u>3,000</u>
Other assets	<u>190,447</u>
	<u>\$ 5,804,490</u>

Liabilities and Customer Fund Balance

Customer fund balance	\$ 1,648,556
Long-term debt	3,445,812
Current liabilities:	54,068
Current installments of long-term debt	249,350
Lines of credit	106,021
Accounts payable	<u>300,683</u>
Accrued expenses and other current liabilities	<u>710,122</u>
Total current liabilities	<u>\$ 5,804,490</u>

See accompanying notes to the financial statements.

BERRY'S CHAPEL UTILITY, INC.

Statement of Operations and Changes in Customer Fund Balance (Unaudited)

Period from September 1, 2010 (date of merger) through June 30, 2011

Operating revenues:	\$	473,816
Sewer fees		<u>6,267</u>
Penalty charges		<u>480,083</u>
Total operating revenues		
Operating expenses:		393,854
Operations		103,538
Administrative and general		22,300
Taxes, other than income taxes		<u>173,382</u>
Depreciation		<u>693,074</u>
Total operating expenses		
Operating margin (deficit)		(212,991)
Interest expense		(128,190)
Change in fund balance		(341,181)
Customer fund balance acquired in merger with Lynnwood Utility Corporation		1,989,737
Customer fund balance at beginning of period		<u>-</u>
Customer fund balance at end of period	\$	<u>1,648,556</u>

See accompanying notes to the financial statements.

BERRY'S CHAPEL UTILITY, INC.

Statement of Cash Flows (Unaudited)

Period from September 1, 2010 (date of merger) through June 30, 2011

Operating activities:	\$	(341,181)
Change in net assets		
Items not requiring cash:		173,382
Depreciation and amortization		4,289
Bad debt expense		
Changes in operating assets and liabilities, net of merger:		(31,331)
Accounts receivables		(1,797)
Other assets		70,021
Accounts payable		242,496
Accrued expenses and other current liabilities		
Net cash provided by operating activities		115,879
Investing activities:		(87,666)
Additions to utility plant		40,556
Cash acquired in merger		(47,110)
Net cash used in investing activities		(39,152)
Financing activity - principal payments on long-term debt		29,617
Increase in cash		-
Cash at beginning of period		29,617
Cash at end of period	\$	29,617

See accompanying notes to the financial statements.

BERRY'S CHAPEL UTILITY, INC.

Notes to the Financial Statements

June 30, 2011

(1) Nature of operations

Berry's Chapel Utility, Inc. (the "Utility") was incorporated in July 2010 under Tennessee Law. The Utility's revenues are predominantly earned from providing sewage collection and treatment services to residential and commercial customers in northern Williamson County, Tennessee. The Utility is subject to regulation by the Tennessee Regulatory Authority (the "TRA").

Effective September 1, 2010, the Utility was merged with Lynnwood Utility Corporation ("Lynnwood") and all assets and liabilities of Lynnwood were transferred to the Utility. Upon merger, the Utility recorded the assets acquired and liabilities assumed at their fair values.

(2) Summary of significant accounting policies

(a) Basis of accounting

The Utility uses the cycle billing system and recognizes sewer sales when billed. Accordingly, the Utility does not accrue the unbilled revenue receivable from the dates of the most recent meter readings to the balance sheet date.

Expenses are recognized when they are incurred using the accrual basis.

(b) Utility plant

Utility plant, consisting primarily of utility properties and equipment, are stated at cost, if purchased, or fair value, if contributed. Assets with a useful life of more than one year and a cost of \$300 or more are capitalized. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Pump, collection and treatment equipment are generally depreciated over five to forty years while structures and improvements are depreciated over forty years and transportation equipment is depreciated over five years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(c) Receivables and credit policies

Accounts receivable are uncollateralized customer obligations due under normal terms requiring payment within 10 days of the billing date. Late charges on delinquent accounts are recorded if the bill is not paid by the due date. If payment is not received within 30 days of the billing date, the customer's service is discontinued. Bad debts are expensed by the Utility using the allowance method. Revenues are reported net of discounts and allowances. The District's allowance for doubtful accounts was \$5,526 as of June 30, 2011.

BERRY'S CHAPEL UTILITY, INC.

Notes to the Financial Statements

June 30, 2011

(d) Regulatory assets

Under the Utility's current and proposed rate plans for provision of sewer service, the Utility is permitted to recover or defer as regulatory assets (for subsequent recovery through rates) certain costs. Such costs are deferred and expensed as the related revenues are earned from future billings.

(e) Income taxes

The Utility is organized as a Tennessee non-profit organization. Under the current organizational structure, the Utility is a taxable entity for federal and state purposes until a certain threshold of cooperative membership is obtained and the Internal Revenue Service approves the Utility for exempt status. The amount provided for income taxes is based upon the amounts of current and deferred taxes payable or refundable at the date of the financial statements as a result of all events recognized in the financial statements as measured by the provisions of enacted tax laws. The Utility files U.S. Federal income and state of Tennessee excise tax returns.

Under generally accepted accounting principles, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Utility has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

(f) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Events occurring after reporting date

The Utility has evaluated events and transactions that occurred between June 30, 2011 and October 21, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

BERRY'S CHAPEL UTILITY, INC.

Notes to the Financial Statements

June 30, 2011

(3) Fair values of financial instruments

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). Except for the net assets acquired from the merger of the Utility with Lynnwood on September 1, 2010, the Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2011.

(a) Financial Instruments

The carrying amount of financial instruments, consisting of cash, trade accounts receivable, other current assets, accounts payable, accrued expenses and other current liabilities, and the current installments of long-term debt approximate their fair value due to their relatively short maturities. Long-term debt is carried at amortized cost, which approximates fair value.

(b) Non-Financial Assets

The Utility's non-financial assets, which include utility plant, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Utility is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. The Utility did not measure any non-recurring, non-financial assets or recognize any amounts in earnings related to changes in fair value for non-financial assets for the year ended June 30, 2011.

(4) Utility plant

A summary of utility plant as of June 30, 2011 is as follows:

	\$	50,000
Land		155,580
Structures and improvements		5,380,302
Pump, collection and treatment equipment		<u>57,910</u>
Transportation equipment		5,643,792
Utility plant in service		<u>24,974</u>
Construction in progress		<u>\$ 5,668,766</u>
Total utility plant		

BERRY'S CHAPEL UTILITY, INC.

Notes to the Financial Statements

June 30, 2011

(5) Regulatory assets

A summary of regulatory assets at June 30, 2011 is as follows:

Deferred odor control	\$ 43,963
Deferred flood damage	120,371
Deferred rate case	<u>23,113</u>
	\$ <u>187,447</u>

The deferred flood damage and rate case assets are currently pending approval by the TRA and represent managements estimate of the costs that will be approved by the TRA to be recovered through future sewer revenues.

(6) Line of credit

The Utility has a \$250,000 line of credit available with Tennessee Commerce Bank that matures in December 2011. The line of credit bears interest at 6.5% annually. Borrowings under this line were \$249,350 at June 30, 2011. The line of credit is secured by utility plant and guaranteed by two board members of the Utility.

(7) Long-term debt

A summary of long-term debt as of June 30, 2011 and 2010 is as follows:

Notes payable to Tennessee Commerce Bank due in monthly principal and interest payments of \$11,202, including interest at 7.50%, and final payment of the remaining principal totaling approximately \$943,500 in April 2014. Secured by utility plant and guaranteed by two board members of the Utility.

\$ 1,099,880

Notes payable to two board members due in annual installments of \$50,000 beginning August 31, 2014, plus interest at fixed rates of 2.0% through August 31, 2012, 2.5% from September 1, 2012 through August 31, 2013 and 3.0% from September 1, 2013 through the notes' maturity on August 31, 2030; secured by substantially all assets of the Utility.

2,400,000

Total long-term debt

3,499,880

Less current installments

54,068

Long-term debt, excluding current installments

\$ 3,445,812

BERRY'S CHAPEL UTILITY, INC.

Notes to the Financial Statements

June 30, 2011

A summary of future maturities of long-term debt as of June 30, 2011 is as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 54,068
2013	56,661
2014	989,151
2015	50,000
2016	50,000
2017 and later years	<u>2,300,000</u>
	<u>\$ 3,499,880</u>

(8) Accrued expenses and other current liabilities

A summary of accrued expenses as of June 30, 2011 is as follows:

Advance from members	\$ 155,113
Accrued interest on notes payable to board members	40,000
Accrued other taxes	19,562
Other current liabilities	<u>86,008</u>
	<u>\$ 300,683</u>

(9) Income taxes

Since the Utility's inception and merger with Lynnwood in September 2010, the Utility has incurred net operating losses ("NOL"). Any resulting deferred tax assets, generated primarily from the NOL have been fully reserved through a valuation allowance due to the uncertainty of the Utility's ability to utilize the federal and state net operating loss carryforwards before they expire.

As of June 30, 2011, the Company has accrued no interest and no penalties related to uncertain tax provisions. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service and the various state authorities for the year ended June 30, 2010.

(10) Contingency

On August 5, 2011, the TRA issued an order in an administrative proceeding in which the TRA concluded that the Utility was subject to the TRA's rate regulation, even though the Utility is a nonprofit corporation which the Utility previously believed exempted it from rate regulation. As a result, the TRA concluded that the Utility's implementation of a \$20.00 per month facility charge for each customer that took effect in November 2010 was not authorized. Such facility charges were suspended in May 2011 and the revenue recognized from the facility fee was fully reserved. The facility charges that were collected were recorded against the flood damage regulatory asset.

BERRY'S CHAPEL UTILITY, INC.

Notes to the Financial Statements

June 30, 2011

(11) Related party transactions

The Utility is governed by a three-member board of directors. Two of these directors were the sole shareholders of Lynnwood prior to the merger with the Utility. Also, one director is the sole shareholder of Tennessee Contractors, Inc., an affiliated company.

The Utility has entered into an agreement with an affiliated entity to provide management services to the Company. Per the terms of the agreement, the affiliate is reimbursed for the amount of actual expenses incurred by the Utility for certain general and administrative expenses including the time of shared office personnel. These fees amounted to \$83,812 in 2011. The Utility also rents office space from a related party member. Rent expense for 2011 under this lease amounted to \$16,667. The expenses incurred during 2011 related to the management services and rent expense are included in the advance to members in accrued expenses.

The Utility receives certain construction related services from Tennessee Contractors, Inc. for maintenance and repair of the Utility's plant. Total services received from this affiliate in 2011 totaled approximately \$143,000, including approximately \$59,000 which was recognized as a component of the regulatory assets.

Accounts payable to Tennessee Contractors, Inc. at June 30, 2011 totaled approximately \$62,000.

(12) Supplemental disclosures of cash flow statement information

Interest paid on long term debt \$ 86,343

During 2011, net assets totaling \$1,989,737 were acquired by the Utility from Lynnwood in conjunction with the merger of the two entities on September 1, 2010.

(13) Current economic conditions and management's plans for future operations

The current protracted economic decline continues to present utilities with difficult circumstances and challenges, which in some cases have resulted in large declines in collections from customers, constraints on liquidity and difficulty obtaining financing.

Current economic and financial market conditions could adversely affect the Utility's results of operations in future periods and its ability to adjust rates to recover future losses. The current instability in the economy, including the rising unemployment rate, may make it difficult for certain Utility customers to pay for utility services, which could have an adverse impact on the Utility's future operating results.

BERRY'S CHAPEL UTILITY, INC.

Notes to the Financial Statements

June 30, 2011

The Utility has incurred operating losses since its merger with Lynnwood. As a result, management has taken certain measures to increase revenues in order to meet the current obligations of the Utility. Since June 2011, when the Utility became a regulated entity, the Utility has reviewed its operations and worked with the TRA to reset current sewage rates at a level that will allow the Utility to meet its obligations. Because of the operating losses of the Utility and the working capital deficiency as of June 30, 2011, the Utility's continuance as a going concern is dependent upon its ability to increase revenues to reach profitable levels of operation. It is not possible to predict whether the Utility will attain profitable levels of operation.

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets or to meet its liabilities.



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**To the Board of Directors
Berry's Chapel Utility, Inc.:**

We have audited the balance sheet of Berry's Chapel Utility, Inc. (the "Utility") as of June 30, 2011, and have issued our report thereon dated October 21, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 7, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Utility are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2011 fiscal year. We noted no transactions entered into by the Utility during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

- fair values allocated to assets acquired and liabilities assumed in the merger of the Utility and Lynnwood Utility Corporation on September 1, 2010
- the reasonableness of depreciable lives for utility plant
- anticipated collection of accounts receivable
- recognition of regulatory assets
- evaluation of the Utility's ability to continue as a going concern and assessment of disclosures of management's plans

We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Additionally, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Utility's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Utility's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Independence

We are not aware of any relationships between our firm and the Utility that, in our professional judgment, may reasonably be thought to bear on our independence which have occurred during the period from September 1, 2010 (date of merger) through the date of this letter.

Other Matters

During the course of our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. A summary of our comment and recommendation follows.

Segregation of Duties

Because of limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

While our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities, the Board of Directors should monitor the day-to-day operations of the Utility and review the monthly financial statements, including budgeted amounts for revenues and expenses.

This information is intended solely for the use of the Board of Directors and management of the Utility and is not intended to be and should not be used by anyone other than these specified parties.

Lattimore Black Morgan & Cain, P.C.

Brentwood, Tennessee
October 21, 2011

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY, INC.
SEPTEMBER 22, 2011**

A MEETING OF THE Board of Directors of Berry's Chapel Utility, Inc. was held at 7:30 am on Thursday, September, 22, 2011 at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of August 16, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Mr. Ford gave a financial report to the Board of Directors and the status of the rate case.

Mr. Ford indicated that he had met with A/G office again since the last Board Meeting and was still trying to resolve issues related to the Odor Control amounts, deferred Flood Expenses and other matters in an effort to increase the rates via settlement for the TRA.

Mr. Ford reported that the final audit work was being completed by Lattimore Black Morgan & Cain, PC. The audit and report would be ready by mid October.

The Company has directed its Attorney to file an appeal in the courts to the TRA ruling related to illegal collection of Facility charges by the Company.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary



Date

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY, INC.**

AUGUST 16, 2011

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 7:30am on Tuesday, August 16, 2011 at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of July 27, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Mr. Ford gave a financial report to the Board of Directors as to the status of the rate case.

Mr. Ford indicated that he had met with A/G office twice since the last Board Meeting and was trying to resolve issues related to the Odor Control amounts and deferred Flood Expenses and other matters in an effort to increase the rates via settlement for the TRA.

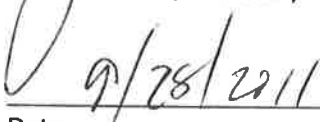
Mr. Ring reported the receipt of a letter from HB & TS Utility District dated August 10, 2011 informing the company that the bills rendered on August 25, 2011 will be the last processed by their system provider. As a result of this the company (BCUI) has moved forward in its study to do its own billing and has contracted with Logics to assist with the computer system installation. Total hard cost of \$17,500.00 which includes out of pocket expenses. Mr. Ford commented that the internal cost for additional personnel items related to the conversion would be \$20,000.00 and an there will be ongoing operational cost for additional personal, supplies, postage and outside billing expenses. Logics is same company that Mallory Valley Utility District uses.

Motion by Mr. Ford and seconded by Mr. Tyler Ring to approve contract with Logics. Motion approved 3-0.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary



Date

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY, INC.**

JULY 27, 2011

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 7:30am on Wednesday, July 27, 2011 at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of June 23, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Mr. Ford gave a financial report to the Board of Directors. The ten (10) months ended reflect a loss of \$291,462.33. This loss includes in revenue \$84,350.00 of facility charges. If this is required to be refunded the loss will be \$375,842.00. As a result of this Mr. Ford recommended that a rate case be filed as soon as possible.

Mr. Ford reported that the annual audit was underway and should be completed in September, 2011.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.


James B. Ford, Secretary

8/16/11
Date

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY**

JUNE 23, 2011

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 7:30am on Wednesday, June 23, 2011 at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of May 25, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Mr. Ford gave a financial report to the Board of Directors.

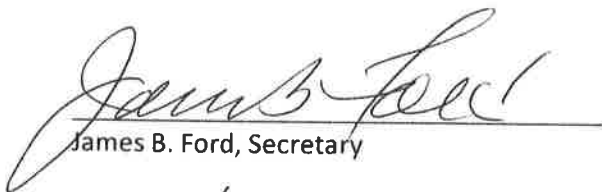
The Board reported that a meeting was held with Mr. Henry Walker and he was retained to replace Mr. Don Scholes.

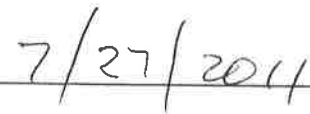
Mr. Ford reported that he had a detailed meeting relating to proposed rate filing and discussions were planned with the AG office to see if a settlement could be reached on a rate increase. The amount of the rate increase could be as much as \$450,000 to \$500,000 annually.

Mr. Tyler Ring reported on the TRA Action as it relates to regulation of the Company. He recommends that the \$20.00 facilities charge be deleted from billing until a settlement is reached on rates. This would be effected on the rendered for May usage this month. Motion seconded by Mr. Ford and passed 3-0.

Mr. Tyler Ring reported that the TN Legislator had passed a bill putting the company under the TRA and The Governor had signed it on June 6, 2011.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.


James B. Ford, Secretary


Date

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY DISTRICT INC**

May 25, 2011

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 7:30 a.m. on May 25, 2011 at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford. Other meeting attendees: Don Scholes.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of April 13, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Mr. Ford gave a financial report to the Board of Directors.

Mr. Scholes gave the Board a report on the status of the entry of the order in the Petition for Declaratory Ruling before the Tennessee Regulatory Authority (TRA) and discussed the specifics of any appeal of this decision to the Tennessee Court of Appeals once the order was entered. Mr. Scholes informed the Board that in his opinion the opportunity for the Utility to obtain a finding that the Utility was not regulated after September 1, 2010, was better in appealing the decision in the Petition for Declaratory Ruling to the Court of Appeals than in the pending lawsuit filed in the Davidson County Chancery Court for a declaratory judgment that that the Utility was not subject to regulation by the TRA. The Board agreed and authorized Mr. Scholes to file a voluntary dismissal of this case.

Mr. Scholes gave the Board an update on the legislation which would bring the Utility back under regulation by the TRA even as a cooperative. Mr. Scholes informed the Board that the bill had passed.

Mr. Scholes informed the Board that he needed to withdraw from representing the Utility because of the time commitment in caring for his wife and the amount of work which would be required over the next few months in representing the Utility, especially before the TRA. Mr. Scholes informed the Board that he had met with Henry Walker and discussed his representing the Utility in the future. The Board agreed to meet with Mr. Walker soon about representation.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary



Date

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY ~~DISTRICT~~ INC**

April 13, 2011

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 10:00 a.m. on April 13, 2011 at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford. Other meeting attendees: Don Scholes.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of March 11, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Mr. Ford gave a financial report to the Board of Directors.

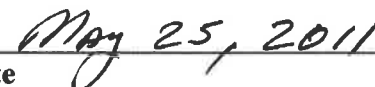
Mr. Scholes gave an update on the status of the Petition for Declaratory Ruling filed by the Consumer Advocate with the Tennessee Regulatory Authority.

Mr. Scholes presented a new set of bylaws for the Corporation which revised the existing bylaws to take into account the change in the Corporation from a nonprofit corporation without members to a nonprofit corporation with members. A motion was made by Jim Ford and seconded by Tyler Ring to approve the new bylaws. After discussion the motion passed 3-0.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary



Date

**BYLAWS
OF
BERRY'S CHAPEL UTILITY, INC.**

These Bylaws shall regulate the affairs of the Corporation, subject to the provisions of the Corporation's Charter and any applicable provisions of the Tennessee Nonprofit Corporation Act, *T.C.A. § 48-51-101, et seq.* (the "Act").

SECTION 1 – OFFICES AND REGISTERED AGENT

Section 1.01. *Registered Office.* The Corporation shall designate and continuously maintain a registered office in the State of Tennessee.

Section 1.02. *Principal Office.* The principal office of the Corporation shall be that which is designated as such in its Charter.

Section 1.03. *Other Offices.* The Corporation may also have other offices within and without the State of Tennessee at such places as the Board of Directors may from time to time determine.

Section 1.04. *Registered Agent.* The Corporation shall designate and continuously maintain a registered agent in the State of Tennessee at its registered office.

SECTION 2 MEMBERS

Section 2.01. *Eligibility.* Any natural person, firm, association, corporation, cooperative, business trust, partnership, federal, state or local government, or departments, agencies or any other political subdivision thereof (each hereinafter referred to as "person," "applicant," "him" or "his") that receives sewer service from Berry's Chapel Utility, Inc. (hereinafter called the "Corporation") at one or more premises owned or directly occupied or used by the person is eligible to become a member of the Corporation.

Section 2.02. *Admission of Members.* An eligible person shall become a member upon completing and executing an application for membership and delivering it to the Corporation.

Section 2.03. *Rights and Obligations.* Except as set forth in Section 2.04, each member shall have one (1) vote and shall have the same rights and obligations with respect to voting, dissolution, redemption, transfer and all other matters as all other members.

Section 2.04. *Joint Membership.* A husband and wife, by specifically so requesting in writing, may be accepted into joint membership or, if one of them is already a member, may automatically convert such membership into a joint membership. The words "member," "applicant," "person," "his," and "him," as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations,

responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing:

- (a) the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting;
- (b) the vote of either or both shall constitute, respectively, one joint vote; provided, if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote;
- (c) notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice; and
- (d) suspension or termination in any manner of either shall constitute suspension or termination of the joint membership.

Section 2.05. *Excess Payments to be Credited as Member-Furnished Capital.* All amounts paid for sewer service in excess of the cost thereof shall be treated as member-furnished capital as provided in Section 7 of these Bylaws.

Section 2.06. *Resignation.* A member may resign at any time by delivering to the Secretary of the Corporation a written notice of such resignation signed by the member which shall be included in the corporate records. A resignation shall not be effective before the date and time the Secretary actually receives written notice of it. A person's membership shall be terminated upon his death.

Section 2.07. *Termination by Withdrawal.* A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors resigning his membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished sewer service, or (b) totally and permanently abandoning the use of sewer service on such premises.

Section 2.08 *Expulsion or Suspension.* A member may be expelled or suspended by the Board of Directors, but notice and an opportunity to be heard shall first be given to the member as set forth below, and the expulsion or suspension procedure shall be fair, reasonable and carried out in good faith:

- (a) The member shall be given not less than fifteen (15) days' prior written notice of the expulsion or suspension, and the reason(s) therefor; and
- (b) The member must be given the opportunity to be heard, orally or in writing, by the Board of Directors not less than five (5) days before the effective date of the expulsion or suspension.

For purposes of this Section 2.08 only, any written notice given by mail shall be sent postage prepaid by first class United States mail or by certified United States mail, return receipt requested, and sent to the last address of the member shown on the Corporation's records.

Section 2.09. *Effect of Death, Legal Separation or Divorce Upon a Joint Membership.* Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint; Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint.

Section 2.10. *Transfers and Encumbrances.* No member shall transfer, by operation of law or otherwise, or encumber in any way his membership or any right arising therefrom.

Section 2.11. *Annual Meeting.* The annual meeting of the members of the Corporation shall be held at such date, time and place as fixed by the Board of Directors. At the annual meeting, the members shall elect Directors, receive reports on the activities and financial condition of the Corporation, and transact such other business as may properly come before the meeting.

Section 2.12. *Special Meetings.* A special meeting of the members may be called by the Board of Directors, by that number of directors that is one (1) less than a majority of the directors in office, or by a petition signed by no fewer than ten (10%) percent of the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 2.13. The notice of a special meeting shall include the purpose or purposes of the meeting.

Section 2.13. *Notice of Meetings.*

(a) The Corporation shall notify its members of the date, time and place of each annual and special meeting of members no fewer than ten (10), nor more than forty-five (45) days before the meeting date. Notice of a meeting shall be by mail (and, in the case of a special meeting, at the direction of those calling the meeting). Any such notice may be included with member service billings or as an integral part of the Corporation's monthly publication. Such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Corporation, with postage thereon prepaid and mailed not later than or earlier than the required days prior to the meeting date.

(b) The incidental and non-intended failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection. Appearance at meeting is waiver of notice.

Section 2.16. *Quorum.* A quorum for the transaction of business at meetings of the members shall be five percent (5%) of all members.

Section 2.17. *Voting Requirements.* Each member shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members regardless of the number of memberships held. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Corporation, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Corporation's Charter or these Bylaws.

Section 2.18. *Action by Written Ballot.* Any action that may be taken at any annual or special meeting of members may be taken without a meeting if the Corporation delivers a written ballot to every member entitled to vote on the matter. The written ballot shall set forth each proposed action and shall provide an opportunity to vote for or against each proposed action. Approval by written ballot shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. All solicitations for votes by written ballot shall:

- (a) Indicate the number of responses needed to meet the quorum requirements;
- (b) State the percentage of approvals necessary to approve each matter other than election of Directors; and
- (c) Specify the time by which the ballot must be received by the Corporation in order to be counted.

SECTION 3 BOARD OF DIRECTORS

Section 3.01. *General Powers and Qualifications.* All corporate powers of the Corporation shall be exercised by and under the authority of, and the affairs of the Corporation shall be managed under the direction of, the Board of Directors. All Directors must be natural persons, must receive sewer service from the Corporation at his residence and shall be at least eighteen (18) years of age.

Section 3.02. *Number of Directors.* The Board of Directors shall be comprised of five (5) Directors, but these Bylaws may be amended from time to time to increase or decrease the number of Directors within the limits provided by law, although at no time shall there be fewer than three (3) Directors.

Section 3.03. *Election and Tenure.* Directors shall be elected by the members at each annual meeting of the members, and each Director shall be elected to serve for a term of one (1) year, or until his or her successor is elected and qualifies; subject, however, to the removal of any Director by the members as provided in these Bylaws. The three Directors serving on the Corporation's Board of Directors on the effective date of these bylaws shall continue to serve

until the first annual meeting of the members. Nominations for members to serve on the Board of Directors shall be submitted to the Corporation before or at the annual meeting.

Section 3.04. *Regular Meetings.* Except as otherwise provided herein, regular meetings of the Board of Directors may be held without notice at such time and place as the Board of Directors shall determine from time to time, but no less frequently than once a year.

Section 3.05. *Special Meetings.* Special meetings of the Board of Directors may be called by the President or by any two (2) Directors.

Section 3.06. *Notice of Meetings.* Except as otherwise provided herein, regular meetings of the Board of Directors may be held without notice of the date, time, place, or purpose of the meeting. Except as otherwise provided herein, special meetings of the Board of Directors must be preceded by at least two (2) days' notice to each Director of the date, time and place, but not the purpose, of such special meeting. Notice of any adjourned meeting need not be given if the time and place to which the meeting is adjourned are fixed at the meeting at which the adjournment is taken, and if the period of adjournment does not exceed one (1) month in any one (1) adjournment.

Section 3.07. *Waiver of Notice.* If a Director attends or participates in a meeting, he waives any required notice to him of the meeting unless the Director at the beginning of the meeting (or promptly upon arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 3.08. *Quorum and Voting.* A quorum of the Board of Directors consists of a majority (but no fewer than two (2)) of the Directors then in office before a meeting begins. If a quorum is present when a vote is taken, the affirmative vote of a majority of the Directors present is the act of the Board of Directors, unless these Bylaws, the Charter or the Act require the vote of a greater number of Directors.

Section 3.09. *Vacancy.* If a vacancy occurs on the Board of Directors during the term of a Director, the vacancy shall be filled by the affirmative vote of the remaining Directors until the next annual member meeting.

Section 3.10. *Removal of Directors.* The members may remove any one (1) or more Directors, with or without cause, at any special meeting that is specifically called for that purpose.

Section 3.11. *Action Without Meeting.* Action that is required or permitted to be taken at a meeting of the Board of Directors may be taken without such a meeting if all Directors consent to taking such action without a meeting. If all Directors so consent, the affirmative vote of the number of Directors that would be necessary to authorize or take such action at a meeting shall be the act of the Board, except as otherwise provided in these Bylaws. Such consent shall describe the action taken, be in writing, be signed by each Director entitled to vote, indicate each signing Director's vote or abstention on the action, and be delivered to the Secretary of the Corporation and included in the minutes filed with the corporate records.

Section 3.12. *Indemnification.* With respect to claims or liabilities arising out of service as a Director of the Corporation, the Corporation shall indemnify and advance expenses to each present and future Director (and his or her estate, heirs, and personal representatives) to the fullest extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted or amended.

Section 3.13. *Immunity.* To the fullest extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted or amended, each present and future Director (and his or her estate, heirs, and personal representatives) shall be immune from suit arising from the conduct of the affairs of the Corporation.

SECTION 4 – OFFICERS

Section 4.01. *Required Officers.* The officers of the Corporation shall be a President, Vice-President and Secretary-Treasurer and such other officers as may from time to time be elected or appointed by the Board of Directors. Except for the offices of President and Secretary-Treasurer, the same individual may simultaneously hold more than one (1) office in the Corporation. All officers must be natural persons and shall be at least eighteen (18) years of age.

Section 4.02. *Election.* Each year at a meeting fixed and held by the Board of Directors, the Board shall elect the officers of the Corporation by a majority vote of those Directors present, provided a quorum exists.

Section 4.03. *Term of Office.* The officers of the Corporation shall hold office for one (1) year or until their successors are chosen and qualify in their stead, subject, however, to the right and authority of the Board of Directors to remove any officer at any time with or without cause.

Section 4.04. *Powers and Duties of Officers.* The powers and duties of the officers of the Corporation shall be as follows:

- (a) *President.* The President shall be the Chief Executive Officer of the Corporation, shall have general and active management of the Corporation, and shall see that all orders and resolutions of the Board of Directors are carried into effect, subject, however, to the right of the Board of Directors to delegate any specific powers, unless exclusively conferred upon the President by law, to any other officer of the Corporation.
- (b) *Vice President.* The Vice President shall have such powers and perform such duties as may be assigned to him or her by the Board of Directors or the President. In the absence or disability of the President, the Vice President shall perform the duties and exercise the powers of the President. The Vice President may sign and execute contracts and other obligations pertaining to the regular course of his or her duties.
- (c) *Secretary-Treasurer.* The Secretary-Treasurer shall attend all meetings of the Board of Directors of the Corporation and shall be responsible for preparing the minutes of such

meetings. The Secretary-Treasurer shall be responsible for the care and custody of the minute book of the Corporation and for authenticating records of the Corporation. It shall be his or her duty to give or cause to be given notice of all meetings of the Board of Directors. In the event the Secretary-Treasurer is absent for some reason from any meeting where minutes are to be prepared or is otherwise unable to take such minutes, the presiding officer of such meeting shall appoint another person, subject to the approval of those present and entitled to vote at such meeting, to take the minutes thereof. The Secretary-Treasurer shall have custody of the Corporation funds and securities, shall keep full and accurate account of receipts and disbursements in the appropriate Corporation books, and shall require the deposit of all monies and other valuable assets in the name of and to the credit of the Corporation in such financial institutions as may be designated by the Board of Directors. The Secretary-Treasurer shall require disbursement of the funds of the Corporation as may be ordered by the Board of Directors, and shall render to the President and the Board of Directors, at any time they may require, an account of his or her transactions as Secretary-Treasurer and of the financial condition of the Corporation. The Secretary-Treasurer shall also perform such other duties as may be assigned to him or her by the Board of Directors or by the President, under whose supervision he shall act.

Section 4.05. *Removal.* The Board of Directors may remove any officer at any time with or without cause.

Section 4.06. *Vacancies.* Any vacancies occurring in the offices of the President, Vice President, Secretary-Treasurer shall be filled by the Board of Directors as soon as practicable. Vacancies in other offices may be filled at the discretion of the Board of Directors.

Section 4.07. *Delegation of Powers and Duties.* In case of the absence of any officer of the Corporation, or for any reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the powers of such officer to any other officer or to any Director for the time being.

Section 4.08. *Indemnification.* With respect to claims or liabilities arising out of service as an officer of the Corporation, the Corporation shall indemnify and advance expenses to each present and future officer (and his or her estate, heirs and personal representatives) to the fullest extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted or amended.

SECTION 5 – RECORDS AND REPORTS

Section 5.01. *Corporate Records.* The Corporation shall keep as permanent records minutes of all meetings of its members and Board of Directors, a record of all actions taken by the members or Board of Directors without a meeting, appropriate accounting records, and a list of its members in alphabetical order by class showing their respective addresses and the number of votes each member is entitled to vote.

Section 5.02. *Records at Principal Office.* The Corporation shall keep at all times a copy of the following records at its principal office:

- (a) Its Charter or Restated Charter and all amendments thereto;
- (b) These Bylaws and all amendments thereto;
- (c) Resolutions adopted by the Board of Directors relating to the characteristics, qualifications, rights, limitations and obligations of members or any class or category of members;
- (d) The minutes of all meetings of members and the records of all actions taken by members without a meeting for the past three (3) years;
- (e) All written communications to members generally within the past three (3) years, including the past three (3) years' annual financial statements;
- (f) A list of the names and business or home addresses of its current Directors and officers; and
- (g) The most recent annual report delivered to the Tennessee Secretary of State.

Section 5.03. *Annual Financial Statements.* The Corporation shall prepare annual financial statements that include a balance sheet as of the end of the fiscal year, an income statement for that year, and such other information necessary to comply with the requirements of the applicable provisions of the Act.

SECTION 6 – MISCELLANEOUS PROVISIONS

Section 6.01. *Fiscal Year.* The fiscal year of the Corporation shall be July 1 through June 30.

Section 6.02. *No Seal.* The Corporation shall have no seal.

Section 6.03. *Notices.* Whenever notice is required to be given to Directors or officers, unless otherwise provided by law, the Charter or these Bylaws, such notice may be given in person, or by telephone, telegraph, teletype or other form of wire or wireless communication, or by mail or private carrier or by electronic mail. If such notice is given by mail, it shall be sent postage prepaid by first class United States mail or by registered or certified United States mail, return receipt requested, and addressed to the respective address that appears for each such person on the books of the Corporation. Written notice shall be deemed to have been given at the earliest of the following:

- (a) When received;
- (b) Five (5) days after its deposit in the United States mail if sent first class, postage prepaid; or
- (c) On the date on the return receipt, if sent by registered or certified United States mail, return receipt requested, postage prepaid and the receipt is signed by or on behalf of the addressee.

Section 6.04. *Waiver of Notice.* Whenever any notice is required to be given under the provisions of any statute, or of the Charter or these Bylaws, a waiver thereof in writing signed by the person entitled to such notice, whether before or after the date stated thereon, and delivered to the Secretary of the Corporation and included in the minutes or corporate records, shall be deemed equivalent thereto.

Section 6.05. *Negotiable Instruments.* All checks, drafts, notes or other obligations of the Corporation shall be signed by such of the officers of the Corporation, or by such other person(s), as may be authorized by the Board of Directors.

Section 6.06. *Deposits.* The monies of the Corporation may be deposited in the name of the Corporation in such bank(s) or financial institution(s) as the Board of Directors shall designate from time to time and shall be drawn out by check signed by the officer(s) or person(s) designated by resolution adopted by the Board of Directors.

SECTION 7 – NONPROFIT OPERATION

Section 7.01. *Interest or Dividends on Capital Prohibited.* The Corporation shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its patrons.

Section 7.02. *Disposition of Revenues; Distribution of Excess.* With respect to the Corporation's furnishing of sewer service, the revenues therefrom for any fiscal year, in excess of the amount thereof necessary:

- (a) to defray expenses of the Corporation, including the operation and maintenance of its facilities during such fiscal year;
- (b) to pay interest and principal obligations of the Corporation coming due in such fiscal year;
- (c) to finance, or to provide a reserve to finance, the construction or acquisition by the Corporation of additional facilities to the extent determined by the Board;
- (d) to provide a reasonable reserve for working capital;
- (e) to provide a reserve for the payment of indebtedness of the Corporation maturing more than one year after the date of the incurrence of such indebtedness in an amount not less than the total of the interest and principal payments in respect thereof required to be made during the next following year; and
- (f) to comply with any covenant or obligation of the Corporation pursuant to any contract in which it has entered;

Shall be distributed or credited by the Corporation to patrons:

- (a) as patronage refunds prorated in accordance with the patronage of the Corporation by the respective patrons paid for during or with respect to such fiscal year; or
- (b) by way of general reductions of rates or other charges; or
- (c) by any combination of such methods.

Section 7.03. *Use of Contributed Capital.* The primary purpose of the Corporation is to furnish its patrons with sewer service at the lowest rates and charges consistent with prudent management and sound economy. Therefore, all amounts received and receivable from the furnishing of sewer service to patrons, members and non-members alike, in excess of operating costs and expenses properly chargeable thereto are at the moment of receipt by the Corporation received with the understanding that they are furnished by the patrons as capital. Capital contributed by the patrons shall be used only for capital purposes, including, without limitation, new sewer system improvements, the retirement of sewer system indebtedness at or prior to maturity, and working capital adequate for all purposes, and for facilitation of general rate reductions.

Section 7.04. *Ascertainment of Contributed Capital.* The Corporation shall maintain such books and records as will enable it at any time, upon reasonable notice, to compute the amount of capital contributed during any given accounting period by each of its patrons.

Section 7.05. *Contract.* The patrons of the Corporation, by dealing with the Corporation, acknowledge that the provisions of this Section of the Bylaws shall constitute and be a contract between the Corporation and non-member patrons, and both the Corporation and such patrons are bound by such contract as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provision of this Section of the Bylaws shall be called to the attention of such patrons by being posted in the Corporation's offices.

SECTION 8 - WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

SECTION 9 - RULES OF ORDER

Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members or Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Corporation's Charter or Bylaws. This Article shall be subordinate to any other provision of these Bylaws pertaining to the votes required for action by members, directors or committees.

SECTION 10 – RATES AND RULES AND REGULATIONS

The Board of Directors shall set the Corporation's rates and charges for sewer service and shall establish the rules and regulations governing the provision of sewer service by the Corporation. The Corporation's rates and charges and rules and regulations governing the provision of sewer services on the effective date of these Bylaws are attached as Appendix A to these Bylaws. The Board of Directors may change, alter and amend the rates and charges for sewer service and the

rules and regulations governing the provision of sewer service at any time. The Corporation's rates and charges for sewer service and the rules and regulations governing the provision of sewer services shall become a part of every contract with any patron receiving sewer service from the Corporation.

SECTION 11 – AMENDMENT OF BYLAWS

Section 11.01. *By Members.* The Members may amend or repeal these Bylaws at any annual or special meeting of the members where a quorum is present, provided that the notice of such meeting shall state that the purpose, or one (1) of the purposes, of the meeting is to amend the Bylaws and shall also contain a description of the amendment to be considered. An amendment to these Bylaws must be approved by the members by the lesser of: (a) two-thirds (2/3) of the votes cast, or (b) a majority of the total number of votes entitled to be cast. These Bylaws may also be amended by the members without a meeting in the same manner as provided therefor herein, except that such action to amend must be by: (a) two-thirds (2/3) of the votes cast, or (b) a majority of the total number of votes entitled to be cast, whichever is less.

Section 11.02. *By Board of Directors.* By a majority vote of the Directors then in office, the Board of Directors may amend these Bylaws, including bylaws adopted by the members, at any regular or special meeting of the Board of Directors where a quorum is present, provided that such meeting is preceded by at least two (2) days' notice to each Director of the date, time and place of the meeting. Such notice shall also state that the purpose, or one of the purposes, of the meeting is to consider a proposed amendment to the Bylaws, and shall contain or be accompanied by a copy or summary of the proposed amendment or state the general nature thereof. These Bylaws may also be amended by the Directors without a meeting in the same manner as provided therefor herein, except that such action to amend must be by a majority vote of the Directors then in office.

APPENDIX A

MONTHLY SEWER SERVICE BILLING

RESIDENTIAL, CONDOMINIUM, HOUSE OR APARTMENT

Charge per 1,000 gallons	
(Actual or Assumed Flow)	\$8.35
Minimum Monthly Charge	\$15.00
	\$25.00 — Effective November 1, 2010
Facilities Charge	\$20.00 — Effective November 1, 2010

NON-RESIDENTIAL

Charge per 1,000 gallons	
(Actual or Assumed Flow)	\$10.34
Minimum Monthly Charge	\$15.00
	\$30.00 — Effective November 1, 2010
Facilities Charge	\$30.00 — Effective November 1, 2010

TAP FEES

<u>RESIDENTIAL</u>	\$3,500.00
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NON-RESIDENTIAL

Charge per gallon per day	
(Computed by multiplying the peak monthly	
Usage during the first year by 12 divided	
by 365 days)	\$7.86

SEWER CONNECTION FEES

<u>RESIDENTIAL OR NON RESIDENTIAL</u>	\$250.00
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GENERAL FEES

<u>RETURNED CHECK CHARGE</u>	\$30.00
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RULES AND REGULATIONS FOR SEWER SERVICE

Statement of Purpose

The general purposes of these rules and regulations are:

1. To establish procedures for furnishing sewerage and sewage treatment services on a uniform basis to customers within the service area boundary of the BERRY'S CHAPEL UTILITY, INC..
2. To provide standards and procedures for:
 - a. Acceptable sewage characteristics
 - b. Excessive sewage volume
 - c. Engineering design standards
 - d. Construction and inspection requirements
 - e. Quality of material

Definition of Terms

1. Corporation - The Corporation shall mean the Berry's Chapel Utility, Inc.
2. Engineer - The word Engineer shall mean the consulting engineer of the Berry's Chapel Utility, Inc.
3. Customer - The word Customer shall mean any person, firm, corporation, association or government unit furnished sewerage services by the Corporation.
4. Property - The word Property shall mean all facilities owned and operated by the Corporation.

5. Trunk Sewer - The words Trunk Sewer shall mean a sewer that runs parallel to a natural drainage channel and receives sewage from many tributary branches and terminates at the sewage treatment plant or major lift station.
6. Collector Sewer - The words Collector Sewer shall mean those sewers running within the development and conveying the sewage to the trunk sewer.
7. Lateral Sewer - The words Lateral Sewer shall mean those sewers extending from the Collector Sewer to the property line of the Customer
8. Building Sewer - The words Building Sewer shall mean that sewer extending from the Customer's property line to his place of business or residence.

Authorization of Rules and Regulations

The BERRY'S CHAPEL UTILITY, INC., a corporation organized and engaged in business as a public utility in the State of Tennessee under a Certificate of Convenience and Necessity issued by the Tennessee Public Service Commission on June 14, 1976 under Docket No. U-6162, submits the following statement of its rules and regulations.

Effect of Rules and Regulations

All provisions of these rules and regulations shall be incorporated in each contract with each sewerage Customer of Berry's Chapel Utility, Inc..

Utility Items on Private Property

The Corporation shall not furnish on or maintain any items or appurtenances for sewer service on the customer's premises without execution of an agreement for an easement or encroachment. No property of the Corporation shall be located on the premises of customers except the sewer shut-off valve, and the Corporation shall be responsible for the shut-off valve. The Building Sewer shall be maintained by the Customer.

Discontinuance of Service

Sewer service may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth.
2. For misrepresentation in the application for service.
3. For adding to the Property or fixtures without notice to the Corporation.
4. For failure to protect the connections, service lines or fixtures in good order.
5. For tampering with any service pipes or any Property of the Corporation in any way whatsoever.
6. Vacancy of premises.
7. For violation of any rules of the Corporation.
8. For disconnecting or re-connecting service by any party other than a duly authorized agent of the Corporation without the consent of the Corporation.

Non-Payment Penalties

The Corporation has contracted with the City of Franklin and with H. B. & T. S. Utility District which utilities provide water service to the Corporation's customers to bill and collect its sewer charges. These water utilities have agreed to terminate water service for the non-payment of sewer charges to enforce the collection of sewer charges. Any penalty for late payment of sewer charges, fees related to the termination of water service to enforce the payment of sewer charges, and any reconnection fees will be the fees charged by these water utilities for these services. No service shall be turned on again if discontinued for non-payment (or any other valid reason) until all charges have been paid.

Change of Ownership, Tenancy or Service

A new application and agreement must be made and approved by the Corporation on any change in ownership of property, or in tenancy, or in the service as described in the application. In the event of failure of a new owner or tenant to make such application, the Corporation shall have the right to discontinue service until such new application is made and approved.

Security Deposits

Each new Customer, before connection or reconnection, of the service may be required to make a refundable deposit to secure payment of sewerage bills in an amount double the monthly bill for that particular type of customer. Interest as approved by the Authority will be paid on any such refundable Deposit.

Special Pretreatment Sewage Requirements

For all sewerage connections, in addition to the customary tap fees, the Corporation reserves the right to require any non-residential user to provide special treatment for any high strength effluent before discharge into its sewerage system. The Corporation may, upon the basis of recognized engineering standards and treatment cost, increase the tap fees or sewer service charges to cover the cost of treatment of high strength effluent or industrial waste with the approval of the Authority, and may impose recognized engineering standards as to the maximum size of solids and constituents in such waste discharged into its sewerage system.

Damages

The Corporation shall in no event be responsible for maintaining any service line owned by the Customer, for damages created by sewage escaping therefrom, or for defects in lines or fixtures on the property of the Customer. The Customer shall at all times comply with all

regulations of the Corporation relating to the service lines and shall make all changes in the Customer's line required on account of grade or otherwise.

All leaks in any pipe are fixture on the premises of the Customer shall be immediately repaired. On failure to repair any such leak, the service may be discontinued until repairs are made.

In Event of Emergency

The Corporation shall not be liable to the Customer for interruption in service or for damages or inconvenience as a result of any interruption, stoppage, etc., which is beyond the reasonable control of the Corporation.

Extension Plan

The Corporation will furnish sewer services to all property owners whose lands abut the trunk sewer. The sewer service charges and tap fees included in this tariff do not include costs for constructing collector and lateral sewers and do include costs for constructing trunk sewers and lift stations. Any collector and/or lateral sewers required to service such abutting properties shall be constructed at the cost of the party desiring it, and these sewers shall become the property of the Corporation to be credited to the account for contribution in aid of construction. If the said desiring party does not wish to construct his own collector and lateral sewers, the Corporation may construct them and charge the desiring party the total project costs for same. The desiring party shall obtain at its expense the easements required by the Corporation for any collector and/or lateral sewers.

Plans for any extensions shall be reviewed and approved by the Engineer prior to construction.

Contributions in Aid of Construction & Advances in Aid of Construction

All contributions and advances that are treated as taxable revenues by the IRS, whether in the form of property or cash, shall be increased by a cash flow payment to the utility, in an amount equal to 33% of the contribution or advance. The contribution or advance will be equal to the "original cost" if in the form of property or face value if in the form of cash.

Contracts for Service

Each customer before installation of service shall be required to execute on the appropriate forms furnished by the Corporation or its designated representative.

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY DISTRICT**

March 11, 2011

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 8:00 a.m. at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford. Other meeting attendees: Don Scholes.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of February 19, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Tyler Ring called the meeting of the Board of Directors to order.

Mr. Ford gave a financial report to the Board of Directors.

Mr. Scholes gave an update on the status of the Petition for Declaratory Ruling filed by the Consumer Advocate with the Tennessee Regulatory Authority.

A motion was made by Jim Ford and seconded by Tyler Ring to approve a Lease Agreement between the Corporation and John and Janice Ring for the lease of 990 square feet of office space at 321 Billingsly Court, Suite 4, Franklin, Tennessee for the Corporation's office with an annual rent of \$20,000 payable in monthly payments of \$1,666.67 for the period from January 1, 2011 through December 31, 2013 and to authorize the Corporation to enter into the Lease Agreement. After discussion the motion passed 2-0 with John Ring abstaining.

A motion was made by Jim Ford and seconded by John Ring to engage Lattimore Black Morgan and Cain, Certified Public Accountants, to audit the statement of financial position of the Corporation as of June 30, 2011 for a fee of \$6,000 and to authorize the Corporation to execute the engagement letter prepared by Lattimore Black Morgan and Cain to perform such audit. After discussion the motion passed 3-0.

A motion was made by Tyler Ring and seconded by Jim Ford authorizing the purchase of a directors and officers liability insurance policy for the Corporation and its directors and officers in the amount of \$1,000,000. After discussion the motion was passed 3-0.


Tyler Ring gave a report of the latest EPA audit of the Corporation's laboratory at the sewer treatment plant and the status of its certified operator, Bobby Winfrey. A motion was made by John Ring and seconded by Jim Ford authorizing Tyler Ring to take appropriate action as he deemed necessary to address the audit finding and the certified operator of the sewer treatment plant. After discussion the motion passed 3-0.

A motion was made by John Ring and seconded by Tyler Ring to hire Dye Van Mol, consultants, for public relations work for the Corporation. After discussion the motion passed 3-0.

A motion was made by John Ring and seconded by Tyler Ring to amend the Corporation's charter to change the Corporation from an Tennessee Nonprofit Corporation without members to a Tennessee Nonprofit Corporation with members. Mr. Scholes was directed to prepare and file the charter amendment with the Tennessee Secretary of State and to amend the Corporation's bylaws as needed to address this change in the operation of the Corporation.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.


James B. Ford, Secretary


Date

LEASE AGREEMENT

THIS LEASE AGREEMENT made and entered into in Franklin, Williamson County, Tennessee, this 1st day of January, 2011 between "**Landlord**" as hereinafter defined and "**Tenant**" as hereinafter defined.

WITNESSETH:

In consideration of the mutual covenants, agreements and undertakings herein contained, and of other good and valuable considerations acknowledged by both parties hereto, Landlord hereby demises and rents unto Tenant and Tenant hereby leases from Landlord certain premises in Franklin, Williamson County, Tennessee, now existing in Landlord's office condominium described below, upon the terms, covenants and conditions hereinafter contained.

ARTICLE 1. FUNDAMENTAL LEASE PROVISIONS.

1.01 LANDLORD AND LANDLORD'S NOTICE ADDRESS:

John and Janice Ring ("**Landlord**"),
a Tennessee general partnership,
c/o Tenn. Contractors, Inc.
P. O. Box 314
Franklin, Tennessee 37065-0314
Phone: (615) 599-0784
Fax: (615) 599-0797

1.02 TENANT AND TENANT'S NOTICE ADDRESS:

Berry's Chapel Utility, Inc. ("**Tenant**"),
a Tennessee Nonprofit Corporation
321 Billingsly Court, Suite 4
Franklin, Tennessee 37067
Phone: (615) 599-0784
Fax: (615) 599-0797

1.03 PREMISES: Landlord hereby leases to Tenant and Tenant hereby leases from Landlord approximately 990 s.f. comprising a part of the first floor and second floor of Landlord's office condominium (the "**Premises**") located at 321 Billingsly Court, Suite 4, Franklin, Williamson County Tennessee, 37067 (the "**Building**").

1.04 TERM: The term of this Lease shall be three years commencing on January 1, 2011 and ending on December 31, 2013 (the "**Term**"), unless sooner terminated hereunder. For so long as Tenant has not been delinquent in the payment of rent and other obligations during the Term hereof, Tenant shall have the option to extend the term for one year under the same terms and conditions except that Rent shall be increased to current market value (the "**Option Term**"). Tenant shall provide written notice to Landlord of its intent to exercise the Option no later than

120 days prior to the end of the Term ("Tenant's Notice"). If Tenant's Notice is not timely received by Landlord, or no notice is received, Tenant's right to exercise the Option shall be deemed waived, the Lease shall terminate on the last day of the Term, and Landlord shall have no further obligation to Tenant.

1.05 RENT AND SECURITY DEPOSIT:

(a) Tenant shall pay upon execution of this Lease the sum of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) as a security deposit for the performance by Tenant of all the terms, covenants and conditions of this Lease upon Tenant's part to be performed, which sum shall be returned to Tenant after the expiration of the Term, or any extension hereof, provided Tenant has fully performed hereunder. Landlord shall have the right to apply any part of said deposit to cure any default of Tenant and if Landlord does so, Tenant shall upon demand, deposit with Landlord the amount so applied so that Landlord shall have the full deposit on hand at all times during the Term of this Lease. In the event of a sale of the Building or a Lease of the Building, subject to this Lease, Landlord shall have the right to transfer the security deposit to the vendee or Tenant and Landlord shall thereupon be released from all liability for the return of such security deposit and Tenant shall look solely to the new Landlord for the return of said security and this provision shall apply to every transfer or assignment made of the security to a new Landlord. The security deposit under this Lease shall not be assigned or encumbered by Tenant and any attempted assignment or encumbrance by Tenant shall be void.

(b) From and after the Commencement Date, Tenant agrees to pay to Landlord or its designees as annual rent (hereinafter "Rent") for the Premises the following amounts:

From	Through	Annual Rate	Monthly Rate
January 1, 2011	December 31, 2013	\$20,000.00	\$1,666.67

Said Base Rent shall be payable in monthly installments of equal to 1/12 of the annual rent, in advance, without demand, deduction or set off on the first day of each calendar month during the term of this Lease.

(c) In addition to any other remedies for non-payment of rent a service charge of five percent (5%) of the Base Rent and Additional Rent, as defined below, shall become due and payable in addition to the regular rent owed under this Lease if the monthly rental payment is not received by Landlord or Landlord's Agents office by the tenth (10th) day of the month for which rent is due

(d) A pro-rata monthly installment shall be due for the first and last month of the Term should the Term begin or end on other than the first or last day of the calendar month.

(e) In addition, Tenant agrees to pay the other amounts required to discharge its obligations under the succeeding conditions and provisions of this Lease.

(f) Tenant agrees to surrender peaceable and quiet possession of the Premises to the Landlord upon the expiration of the Lease, re-entry by Landlord, pursuant to the terms of this Lease, or termination of this Lease for any reason, and at any time, in good order and condition ordinary wear and tear excepted. If Tenant holds over, it shall be a tenant-at-will of Landlord,

and such holdover shall not create a new term. During any hold-over tenancy, Tenant shall pay rent equal to 150% of the rental rate in effect as the last day of this Lease unless otherwise agreed to by Landlord in writing.

1.06 ADDITIONAL RENT: As "Additional Rent" to the Landlord, Tenant agrees to pay all utility charges, as well as the Condo Owners Association of which the Building is a part.

1.07 ADVANCE RENTAL PAYMENT: Tenant shall pay upon execution of this Lease, the first month's Rent in the amount of \$1,666.67.

1.08 RENTAL PAYMENT PLACE: All installments of Rent shall be payable to Landlord and delivered to 321 Billingsly Court, Suite 3, Franklin, Tennessee, 37067, or at such other place as may, from time-to-time, be designated by the Landlord in writing.

1.09 USE OF PREMISES: Tenant shall use the Premises for any lawful retail or office purpose, exclusive of any adult-oriented business.

1.10 INSURANCE: Tenant shall maintain commercial general liability insurance on the Premises with a minimum limit per occurrence of \$1,000,000. Further, Tenant shall furnish proof, by policy or certificate of insurance that Landlord is named as an additional insured on such policy or policies of insurance, all as more specifically stated in Article 2. hereof

ARTICLE 2. GENERAL PROVISIONS.

2.01 TAX ON RENTS: In the event any sales, use or other tax shall be levied upon the rent reserved in this Lease by the State of Tennessee, the Williamson County or City of Franklin government, or any other governmental entity having jurisdiction, all such taxes shall be paid by Tenant in addition to its obligations hereunder.

2.02 UTILITIES AND ASSOCIATION DUES: Tenant shall procure and promptly pay for utilities rendered or furnished to the Premises during the Term of this Lease, and shall pay one-half of all utilities which serve the Building, and any association dues or fees relative to the Building. Landlord shall not be liable for any interruption whatsoever in utility services not furnished by Landlord nor for interruptions in utility services furnished by Landlord which are due to fire, accident, breakdown, strike, acts of God, or other causes beyond the control of Landlord or in order to make alterations, repairs or improvements.

2.04 REPAIRS BY LANDLORD: Landlord agrees to keep in good order the roof, exterior walls, gutters, sprinkler system (if any), parking areas and hallways and sidewalks which make up the "common areas." The term "exterior walls" shall not include glass windows, entrance doors, service doors or other glass inserts or panels. In the event said glass windows, entrance doors, service doors or other glass inserts or panels are broken, destroyed or must be replaced for any reasons, the same shall be done at Tenant's expense and in like kind as existed before Landlord gives to Tenant exclusive control of the Premises and shall be under no obligation to inspect the Premises. Tenant shall at once report in writing to Landlord any defective condition known to Tenant which Landlord is required to repair, and failure to so report such defect shall make Tenant responsible to Landlord for any liability incurred by Landlord by reason of such

defect. Notwithstanding the foregoing, Landlord shall not be liable for any damage caused by the sprinkler system, including, but not limited to damage to Tenant's merchandise.

2.05 REPAIRS BY TENANT: Tenant shall make all repairs and carry out all maintenance, other than that set forth in Paragraph 2.04 upon the Premises during the Term of this Lease at Tenant's expense. This obligation shall include maintenance repair and/or replacement of all glass windows, entrance doors, service doors or other glass paneling or inserts of heating and cooling systems, plumbing and wiring.

2.06 TENANT IMPROVEMENTS, ADVERTISING, DECOR AND SIGNS:

A. Tenant shall make no alterations or install any signage or improvements to the interior of the Premises, or the Building, without the prior written approval of Landlord. Tenant shall pay all costs and expenses thereof and make such alterations, changes and improvements in a good and workmanlike manner. Landlord acknowledges that Tenant plans to install a wood entry door. Landlord and Tenant shall work together to install a shared sign on the exterior of the Premises

Tenant hereby completely and fully indemnifies Landlord against any mechanic's lien or other lien or claims in connection with the making of any alterations, changes or improvements.

Except as otherwise provided, all signs, furnishings, trade fixtures and other removable equipment installed in the Premises by Tenant and paid by Tenant, shall remain the property of Tenant and shall be removed by Tenant upon termination of the Lease, provided that any of such as are affixed to the Premises and require severance may be removed only if Tenant shall repair any damage caused by such removal.

B. Cost and Consent. All work undertaken by Tenant shall be at Tenant's expense and shall not damage the Building in which the Premises are located or any part thereof.

2.07 COMPLIANCE WITH LAWS AND REGULATIONS: Tenant shall comply with all existing and future laws and regulations affecting the Premises which have been or which may be adopted, passed or issued by any government of governmental authority.

2.08 TAXES: Tenant shall pay all property taxes which may be assessed or imposed upon the land and building comprising the Premises by any taxing authority or governmental authority with power to tax.

2.09 INSURANCE: Tenant shall keep all of its improvements and equipment insured against loss or damage by fire with full extended coverage, in the maximum amount attainable, and as approved by Landlord. Tenant shall pay all premiums or other charges of such insurance.

2.10 PUBLIC LIABILITY INSURANCE: Irrespective of the adequacy of insurance, Tenant hereby binds itself to hold Landlord harmless against all claims for damages and expenses of every kind and character (including costs, expense and attorneys fees incurred in the defense of any such claim) of parties who may claim or sue or demand damages for injuries sustained upon the Premises, or arising directly or indirectly out of Tenant's use of the demised Premises, and the Tenant will defend any such claim or suit for damages or injuries at its own expense. For this

purpose, Tenant shall, at its expense, procure liability insurance issued by a company or companies acceptable to Landlord, giving comprehensive coverage of the Premises for all hazards as are insurable for which the Landlord might be held liable, such insurance to have a limit as stated in Paragraph 1.10 hereof.

The policy or policies shall be written so as to indemnify and protect Tenant and Landlord as their respective interests may appear, and shall provide that they may not be canceled except upon not less than thirty (30) days prior written notice to Landlord and Tenant. Tenant will furnish Landlord, at all times, with an exact copy of all policies or a certificate of insurance purchased in compliance with this Article.

2.11 WAIVER OF SUBROGATION: Tenant agrees that, in the event the Premises or the fixtures or merchandise therein are damaged or destroyed by fire or other casualty that is covered by insurance of Tenant, the rights, if any, of Tenant against Landlord or against the employees, agents or licensees of Landlord with respect to such damage or destruction or with respect to any loss resulting therefrom, including the interruption of the business of any of the parties, are hereby waived. Tenant agrees, further, that all policies of fire, extended coverage, business interruption and other insurance provided by Tenant covering the Premises or the contents, fixtures and improvements therein, shall contain a clause or endorsement providing in substance that the insurance shall not be prejudiced if the assureds have waived right of recovery from any person, or persons prior to the date and time of loss or damage, if any. Any additional premiums shall be paid by Tenant.

2.12 DAMAGE OR DESTRUCTION TO THE PREMISES: In the event that the Premises are totally destroyed or so damaged by fire or other casualty that the same cannot be repaired or restored, in the opinion of Landlord or Tenant, within sixty (60) days from the date of such occurrence, this Lease shall absolutely cease and terminate, and all rent shall abate for the balance of the Term.

If the damage caused as above is only partial and/or such that the Premises can be restored, in Landlord's opinion, to good condition within sixty (60) days, then the Landlord shall restore the Premises with reasonable promptness, having the right to enter upon the Premises for that purpose whenever necessary, even though the effect of such entry may be to render the Premises untenable. During the period after any destruction or damage, rent shall be apportioned, if Tenant is able to operate its business, or suspended during the time which Tenant is unable to operate its business at all. Notwithstanding anything contained herein, Lessor shall not be required to restore the Premises if the cost of such restoration exceeds the extent of insurance proceeds available, and in this event, either party may terminate this Lease, upon thirty (30) days' notice to the other.

Nothing herein shall be construed to preclude Tenant from prosecuting any claim directly against the condemning authority for loss of business, damage to and costs of removal of trade fixtures, furniture and other personal property belonging to Tenant and the loss of the value of the unexpired term of this Lease.

2.15 LANDLORD SERVICES: Landlord has no obligations to provide any services under this Lease.

2.16 ESTOPPEL CERTIFICATE: Tenant, upon Landlord's reasonable request shall certify in writing that Landlord is not in default under the terms of this Lease, and that the same is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified).

2.17 SURRENDER OF POSSESSION: Tenant agrees to surrender peaceable and quiet possession of the Premises to the Landlord upon the expiration of the Lease, re-entry by Landlord, pursuant to the terms of this Lease, or termination of this Lease for any reason, and at any time, in good order and condition ordinary wear and tear excepted. If Tenant holds over, it shall be a tenant at will of Landlord, and such holdover shall not create a new term.

2.18 COVENANT OF PEACEFUL POSSESSION: Landlord agrees, under the terms of this Lease, to keep Tenant in peaceable, uninterrupted possession of the Premises so long as Tenant complies with and performs all of the terms, covenants and conditions of this Lease.

2.19 NO LIENS: In its use of the Premises and in the performance of its duties to maintain and finish the same, if applicable, Tenant will not, under any circumstances, suffer or permit any lien to attach to the Premises, or any portion thereof, and if any such lien be asserted, Tenant shall pay and procure the prompt discharge thereof, or, if it desires to contest the same, it will deposit with the Landlord security in an amount at least equal to two (2) times the amount in controversy as security to the Landlord during the period of any such contest.

2.20 NOTICES:

(a) Any notice by any party to the other(s) shall be valid if in writing and shall be deemed to be duly given if delivered personally to the Tenant at the Premises, upon confirmed telefax transmission, or delivery of registered or certified mail, return receipt requested, to the notice addresses contained in Paragraph 1.01 and 1.02, or at such other address as each party may designate by notice to the others.

(b) Notice shall be deemed received upon personal delivery, confirmed telefax delivery or receipt of certified or registered mail.

(c) Tenant hereby appoints as its agent to receive service of all dispossessory or distraint proceedings, the person occupying Premises; and if there is no person occupying the same, then such service may be made by attachment thereof on the main entrance to Premises.

2.21 SUBORDINATION: Tenant shall execute all assignments of Leases, subordination, ratification, non-disturbance, attornment and other agreements as may be reasonably required by any mortgagee of the Premises. Further, Tenant shall not take any action, or fail to take any action, which might adversely affect the non-taxable status, or any other aspect, of such industrial development financing. Tenant will further enter into such modifications or amendments to the Lease and furnish such other financial information as may be reasonably required by the parties to be secured by any such mortgage or lien.

2.22 MEMORANDUM OF LEASE: This Lease may not be recorded by either party. A Memorandum of Lease describing the Premises, giving the term of this Lease and referring to this Lease, may be prepared and recorded upon request by either party.

2.23 APPLICABLE LAW: This lease and the rights and obligations of Landlord, Tenant and Broker hereunder shall be interpreted, construed and enforced in accordance with the laws of the State of Tennessee. If any provision of this lease or the application thereof to any party to this lease or any circumstances shall be invalid or unenforceable to any extent, the remainder of this lease or circumstances shall not be affected thereby and shall be enforced to the extent permitted by law

2.24 CAPTIONS: The headings of the Articles contained herein are for the convenience only of the parties and do not define, limit or construe the contents of such Articles.

2.25 CONSTRUCTION OF TERMS: The words "Landlord" and "Tenant" as used herein shall include all individuals, corporations (and if a corporation, its officers, employees or agents) and any and all other persons or entities, and their respective heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto, and all those holding under either of them and the pronouns used herein shall include, when appropriate, either gender and both singular and plural. Unless the context clearly denotes to the contrary, the word "rent" or "rental" as used in this Lease not only includes cash rental, but also all other payments and obligations to pay assumed by Tenant, whether such obligations to pay run to the Landlord or other parties.

2.26 AMENDMENTS IN WRITING: Any amendment to this Lease must be in writing and signed by Landlord, Tenant and the undersigned guarantors or sureties.

2.27 TIME OF ESSENCE: Time is of the essence of the Agreement.

2.28 SEVERABILITY: If any provision of this Lease or the application thereof to any party to this Lease or any circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease or circumstances shall not be affected thereby and shall be enforced to the extent permitted by law

2.29 ATTORNEY FEES: If it shall become necessary for either party to place this Lease in the hands of an attorney for enforcement of any provision herein set forth or for the purpose of settling any dispute hereunder, the prevailing party shall be entitled to reimbursement by the other for all costs, expenses and attorney's fees incurred in connection therewith.

2.30 INTEREST ON PAST DUE OBLIGATIONS: Any amount owed by Tenant to Landlord which is not paid within ten (10) days of the date when due shall bear interest at the rate of six percent (6%) per annum from the due date of such amount. However, interest shall not be payable on late charges to be paid by Tenant under this Lease. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Lease. If the interest rate specified in this Lease is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal rate

2.31 TELEFAX/COUNTERPARTS: Landlord and Tenant agree that the telefaxed signature of any party hereto shall in all effects be considered an original and this Lease may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall comprise but a single instrument.

ARTICLE 3. DEFAULT

3.01 NOTICE; REMEDIES: The following events shall constitute events of default by Tenant under this Lease:

(a) If the Tenant fails to pay, within ten (10) days when due, any of the rentals provided for herein or fails to provide required evidence of insurance within ten (10) days when due, or fails to observe or violates any of the other terms, conditions or understandings hereof to be observed or performed by it, within thirty (30) days after written notice thereof to Tenant.

(b) If Tenant becomes insolvent, or if Tenant makes a general assignment for the benefit of its creditors, or transfers any property in fraud of Tenant's creditors, or if a receiver is appointed for Tenant.

(c) If Tenant files a Petition under any section of the Federal Bankruptcy Code, as amended, or under any similar law or statute of the United States or any State thereof; or if Tenant is adjudicated insolvent in proceedings filed against Tenant under any such laws or statutes;

(d) If Tenant deserts or vacates any substantial portion of the Premises for a period of thirty (30) consecutive days without prior written notice to Landlord, unless Tenant's vacation of the Premises is due to a fire or other casualty in which case Tenant shall immediately give notice of such circumstance to Landlord.

Upon the occurrence of any event of default, Landlord shall have the option to pursue one or more of the following remedies: (i) reenter the Premises and retake possession thereof and relet the Premises at the best rental reasonably obtainable, with Tenant remaining liable for the deficiency, if any, between Tenants rental due hereunder and any rental received by Landlord on any such re-letting; (ii) declare the rental for the entire term hereof immediately due and payable and have all rights and remedies herein provided and as provided at law or in equity for collection of the same; (iii) terminate the Lease, reenter and retake possession of the Premises, in which event, Tenant shall pay to Landlord on demand all amounts due under the Lease by acceleration or otherwise, and the amount of all damages suffered by Landlord by reason of such termination, whether caused by the inability to re-let the Premises or otherwise; (iv) pursue such other remedies.

3.02 WAIVER: The failure of Landlord or Tenant to insist upon prompt and strict performance of any of the terms, conditions or understandings herein set forth, or to exercise any option herein conferred, in any one or more instances, shall not be construed as a waiver of the same or of any other term, condition, or understanding. Acceptance by Landlord of any payment or partial payment of rent due hereunder shall not operate as a waiver of any default hereunder, whether or not Landlord shall have knowledge of such default at the time of acceptance of such payment or partial payment.

3.03 NOTICE TO LANDLORD: Landlord shall in no event be in default in the performance of any of its obligations in this Lease contained unless and until Landlord has failed to perform such obligation within thirty (30) days, or such additional time as is reasonably required to

correct any such default, after notice by Tenant to Landlord properly specifying wherein Landlord has failed to perform any such obligation.

3.04 FORCE MAJEURE: Landlord or Tenant, as the case may be shall be excused for the period of any delay and shall not be deemed in default with respect to the performance of any of the terms, covenants and conditions of this Lease when prevented from so doing by cause or causes beyond the Landlord's control or Tenant's control, as the case may be, which shall include, without limitation, all labor disputes, governmental regulations or controls, fire or other casualty, or other acts of God.

IN WITNESS WHEREOF, the undersigned, Landlord, Tenant and Guarantors have executed this Lease the day and year first above written.

LANDLORD: JOHN AND JANICE RING

By: _____


John Ring, Partner

TENANT: Berry's Chapel Utility, Inc.

By: _____


Tyler L. Ring, President

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY DISTRICT**

February 19, 2011

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 8:30 a.m. on February 19, 2011, at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford. Other meeting attendees: Don Scholes.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of the February 4, 2011 Board of Director's meeting. After discussion the motion passed 3-0.

Mr. Scholes gave a report on the status of the Petition for Declaratory Ruling filed by the Consumer Advocate with the Tennessee Regulatory Authority (TRA), and the Board discussed the Corporation's response to this administrative proceeding with Mr. Scholes. Mr. Scholes suggested that the Corporation file an action in the Davidson County Chancery Court requesting a declaratory order on whether the Corporation was subject to regulation by the TRA since the issue in the TRA Petition was a Tennessee corporate law issue and not an issue in which the TRA had any special expertise. A motion was made by Jim Ford and seconded by Tyler Ring authorizing Mr. Scholes to file the declaratory judgment action in the Davidson County Chancery Court. After discussion the motion passed 3-0.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary



Date

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY DISTRICT**

February 4, 2011

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 8:30 a.m. on February 4, 2011, at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford. Other meeting attendees: Don Scholes.

Tyler Ring called the meeting of the Board of Directors to order.

A motion was made by Jim Ford and seconded by Tyler Ring to approve the minutes of the August 31, 2010, and January 3, 2011 Board of Director's meetings. After discussion the motion passed 3-0.

Mr. Ford gave a financial report to the Board of Directors of the first four months of the Corporation's operations.

A motion was made by John Ring and seconded by Tyler Ring to approve the Corporation's budget for the year prepared by Mr. Ford. After discussion the motion passed 3-0.

Mr. Scholes gave a report on the status of the Petition for Declaratory Ruling filed by the Consumer Advocate with the Tennessee Regulatory Authority, and the Board discussed the Corporation's response to this administrative proceeding with Mr. Scholes.

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary



Date

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY DISTRICT**

January 3, 2011

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 8:30 a.m. at its office located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford. Other meeting attendees: Don Scholes.

Tyler Ring called the meeting of the Board of Directors to order.

Mr. Ford gave a financial report to the Board of Directors.

Tyler Ring informed the Board that a Utility customer who has little or no sewer usage on the premises served had requested a reduction in the minimum monthly charge of \$25.00 which recently became effective. A motion was made by Jim Ford and seconded by John Ring to deny the request. Mr. Scholes informed the Board that making an exception for a single customer was probably unjustly discriminatory. After discussion the motion passed 3-0.

A motion was made by Jim Ford and seconded by John Ring to permit a one time adjustment to the customer's sewer bills for 2010 for any flood victim who supplied the Utility with a FEMA number which adjustment will be made by taking the customer's usage from May – October of 2009 and comparing this usage to the customer's usage from May – October of 2010 and reducing the customer's bill by one-half of the difference in the usage between the two years. After discussion the motion passed 3-0.

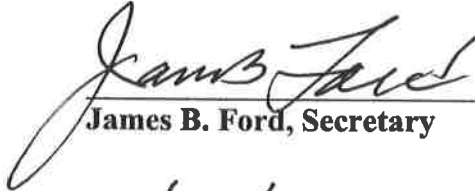
A motion was made by Tyler Ring and seconded by Jim Ford to hire an independent auditor to audit the Utility's books and records at the end of its fiscal year. After discussion the motion passed 3-0.

A motion was made by Jim Ford and seconded by Tyler Ring for the Utility to enter into a one year lease beginning January 1, 2011 with John Ring and Janice Ring for the Utility's office space at 321 Billingsly Court, Suite in Franklin at the monthly rental rate of \$1,666.67. After discussion the motion was passed 2-0 with John Ring abstaining.

A motion was made by Jim Ford and seconded by Tyler Ring authorizing Tyler Ring to staff the day-to-day operation of the Utility with employees and independent contractors as President of the Utility as he deemed necessary and appropriate. After discussion the motion passed 3-0.

Page 2

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary

2/4/11

Date

RULES AND REGULATIONS FOR SEWER SERVICE

Statement of Purpose

The general purposes of these rules and regulations are:

1. To establish procedures for furnishing sewerage and sewage treatment services on a uniform basis to customers within the service area boundary of the BERRY'S CHAPEL UTILITY, INC..
2. To provide standards and procedures for:
 - a. Acceptable sewage characteristics
 - b. Excessive sewage volume
 - c. Engineering design standards
 - d. Construction and inspection requirements
 - e. Quality of material

Definition of Terms

1. Corporation - The Corporation shall mean the Berry's Chapel Utility, Inc.
2. Engineer - The word Engineer shall mean the consulting engineer of the Berry's Chapel Utility, Inc.
3. Customer - The word Customer shall mean any person, firm, corporation, association or government unit furnished sewerage services by the Corporation.
4. Property - The word Property shall mean all facilities owned and operated by the Corporation.

5. Authority - The word Authority shall mean the Tennessee Regulatory Authority.
6. Trunk Sewer - The words Trunk Sewer shall mean a sewer that runs parallel to a natural drainage channel and receives sewage from many tributary branches and terminates at the sewage treatment plant or major lift station.
7. Collector Sewer - The words Collector Sewer shall mean those sewers running within the development and conveying the sewage to the trunk sewer.
8. Lateral Sewer - The words Lateral Sewer shall mean those sewers extending from the Collector Sewer to the property line of the Customer
9. Building Sewer - The words Building Sewer shall mean that sewer extending from the Customer=s property line to his place of business or residence.

Authorization of Rules and Regulations

The BERRY'S CHAPEL UTILITY, INC., a corporation organized and engaged in business as a public utility in the State of Tennessee under a Certificate of Convenience and Necessity issued by the Tennessee Public Service Commission on June 14, 1976 under Docket No. U-6162, submits the following statement of its rules and regulations.

Effect of Rules and Regulations

All provisions of these rules and regulations shall be incorporated in each contract with each sewerage Customer of Berry's Chapel Utility, Inc..

Utility Items on Private Property

The Corporation shall not furnish on or maintain any items or appurtenances for sewer service on the customer's premises without execution of an agreement for an easement or encroachment. No property of the Corporation shall be located on the premises of customers except the sewer shut-off valve, and the Corporation shall be responsible for the shut-off valve. The Building Sewer shall be maintained by the Customer.

Discontinuance of Service

Sewer service may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth.
2. For misrepresentation in the application for service.
3. For adding to the Property or fixtures without notice to the Corporation.
4. For failure to protect the connections, service lines or fixtures in good order.
5. For tampering with any service pipes or any Property of the Corporation in any way whatsoever.
6. Vacancy of premises.
7. For violation of any rules of the Corporation.
8. For disconnecting or re-connecting service by any party other than a duly authorized agent of the Corporation without the consent of the Corporation.

Non-Payment Penalties

The Corporation has contracted with the City of Franklin and with H. B. & T. S. Utility District which utilities provide water service to the Corporation's customers to bill and collect its sewer charges. These water utilities have agreed to terminate water service for the non-payment of sewer charges to enforce the collection of sewer charges. Any penalty for late payment of sewer charges, fees related to the termination of water service to enforce the payment of sewer charges, and any reconnection fees will be the fees charged by these water utilities for these services. No service shall be turned on again if discontinued for non-payment (or any other valid reason) until all charges have been paid.

Change of Ownership, Tenancy or Service

A new application and agreement must be made and approved by the Corporation on any change in ownership of property, or in tenancy, or in the service as described in the application. In the event of failure of a new owner or tenant to make such application, the Corporation shall have the right to discontinue service until such new application is made and approved.

Security Deposits

Each new Customer, before connection or reconnection, of the service may be required to make a refundable deposit to secure payment of sewerage bills in an amount double the monthly bill for that particular type of customer. Interest as approved by the Authority will be paid on any such refundable Deposit.

Special Pretreatment Sewage Requirements

For all sewerage connections, in addition to the customary tap fees, the Corporation reserves the right to require any non-residential user to provide special treatment for any high strength effluent before discharge into its sewerage system. The Corporation may, upon the basis of recognized engineering standards and treatment cost, increase the tap fees or sewer service charges to cover the cost of treatment of high strength effluent or industrial waste with the approval of the Authority, and may impose recognized engineering standards as to the maximum size of solids and constituents in such waste discharged into its sewerage system.

Damages

The Corporation shall in no event be responsible for maintaining any service line owned by the Customer, for damages created by sewage escaping therefrom, or for defects in lines or fixtures on the property of the Customer. The Customer shall at all times comply with all regulations of the Tennessee Regulatory Authority and the Corporation relating to the service lines and shall make all changes in the Customer's line required on account of grade or otherwise.

All leaks in any pipe are fixture on the premises of the Customer shall be immediately repaired. On failure to repair any such leak, the service may be discontinued until repairs are made.

In Event of Emergency

The Corporation shall not be liable to the Customer for interruption in service or for damages or inconvenience as a result of any interruption, stoppage, etc., which is beyond the reasonable control of the Corporation.

Extension Plan

The Corporation will furnish sewer services to all property owners whose lands abut the trunk sewer. The sewer service charges and tap fees included in this tariff do not include costs for constructing collector and lateral sewers and do include costs for constructing trunk sewers and lift stations. Any collector and/or lateral sewers required to service such abutting properties shall be constructed at the cost of the party desiring it, and these sewers shall become the property of the Corporation to be credited to the account for contribution in aid of construction. If the said desiring party does not wish to construct his own collector and lateral sewers, the Corporation may construct them and charge the desiring party the total project costs for same. The desiring party shall obtain at its expense the easements required by the Corporation for any collector and/or lateral sewers.

Plans for any extensions shall be reviewed and approved by the Engineer prior to construction.

Contributions in Aid of Construction & Advances in Aid of Construction

All contributions and advances that are treated as taxable revenues by the IRS, whether in the form of property or cash, shall be increased by a cash flow payment to the utility, in an amount equal to 33% of the contribution or advance. The contribution or advance will be equal to the "original cost" if in the form of property or face value if in the form of cash.

Contracts for Service

Each customer before installation of service shall be required to execute on the appropriate forms furnished by the Corporation or its designated representative.

1. A sewer service contract
2. The application and contract for sewer tap services

Customer Billing Forms

All customer billings shall be on a standard form whether residential, commercial or industrial.

Public Contact

Mr. Tyler Ring
Berry's Chapel Utility, Inc.
321 Billingsly Court, Suite 4
Franklin, TN 37065

Tennessee Regulatory Authority

The utility in its operation shall conform with all the applicable rules and regulations promulgated from time to time by the Tennessee Regulatory Authority.

Tyler L. Ring, Director

John Ring, Director

James B. Ford, Director

**MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF
BERRY'S CHAPEL UTILITY DISTRICT**

August 31, 2010

A meeting of the Board of Directors of Berry's Chapel Utility, Inc. was held at 2:00 p.m. at its offices located at 321 Billingsly Court, Suite 4, Franklin, Tennessee. The Directors present for the meeting were Tyler L. Ring, John Ring and James B. Ford. Other meeting attendees: Don Scholes.

Tyler Ring called the meeting of the Board of Directors to order.

Mr. Scholes reported on the organization of the Utility to the Board of Directors.

A motion was made by Jim Ford and seconded by John Ring to adopt the rates and charges for the Utility which are attached to these minutes as the rates for the Utility effective September 1, 2010 and to incorporate these rates and charges as a new Section 7 – Utility Rates and Charges to the Utility's bylaws. After discussion the motion passed 3-0.

A motion was made by Jim Ford and seconded by John Ring to adopt the rules and regulations governing sewer service by the Utility effective September 1, 2010, and to incorporate these rules and regulations as a new Section 8 – Rules and Regulations for Sewer Service to the Utility's bylaws. After discussion the motion passed 3-0.

To raise revenue to meet the Utility's operation and maintenance expenses and to pay its debt obligations, a motion was made by Jim Ford and seconded by John Ring: (1) to increase the Utility's minimum monthly bill to \$25.00; (2) to implement a new facility charge of \$20.00 a month for residential customers; (3) to implement a new facility charge of \$30.00 a month for non-residential customers; (4) to incorporate these new rates in the Utility's bylaws; and (5) to make these new rates and charges effective for sewer service rendered after the November billing of the water utilities which bill and collect the Utility's sewer charges. After discussion the motion passed 3-0.

A motion was made by Tyler Ring and seconded by John Ring to hire Laura Morrissey as a part-time secretary for the Utility. After discussion the motion passed 3-0.

A motion was made by John Ring and seconded by Tyler Ring for the Utility to purchase directors and officers insurance for the Utility's directors and officers. After discussion the motion passed 3-0.

Page 2

A motion was made by John Ring and seconded by Tyler Ring to adjourn the Board meeting. After discussion the motion passed 3-0 and the meeting was adjourned.



James B. Ford, Secretary



Date

**ACTION WITHOUT MEETING BY BOARD OF DIRECTORS BERRY'S CHAPEL
UTILITY, INC.**

Pursuant to the provisions of the Tennessee Nonprofit Corporation Act, the Board of Directors of Berry's Chapel Utility, Inc. hereby resolves to approve and adopt the Agreement and Plan of Merger which is attached hereto merging Lynwood Utility Corporation into Berry Chapel Utility, Inc.

By: 
John Ring, Director

Date: 8-18-2010

By: 
Tyler L. Ring, Director

Date: 8-18-2010

By: 
James B. Ford, Director

Date: 8-18-2010

AGREEMENT AND PLAN OF MERGER

Pursuant to the provisions of Section 48-61-101 of the Tennessee Nonprofit Corporation Act, **Lynwood Utility Corporation (Lynwood)**, and **Berry's Chapel Utility, Inc. (Berry's Chapel)** enter into this AGREEMENT AND PLAN OF MERGER this ____ day of August, 2010.

1. Merger.

(a) On the effective date set forth in this section and upon the terms and subject to the conditions set forth in this Agreement, Lynwood shall be merged with and into Berry's Chapel whereupon the separate existence of Lynwood will cease and Berry's Chapel shall be the surviving corporation in the merger (the Surviving Corporation).

(b) As soon as practicable after the satisfaction or waiver of the conditions to obligations of the parties to consummate the Merger, Lynwood and Berry's Chapel will file articles of merger with the Tennessee Secretary of State and make all other filings and recordings required by applicable law in connection with the merger.

(c) The effective date of the Merger is September 1, 2010.

(d) On the effective date of the Merger, Lynwood will no longer exist as a separate corporation, and all responsibility, coverage and liability for the terms and conditions of Lynwood's NPDES Permit TN0029718 shall transfer to Berry's Chapel.

2. The Surviving Corporation.

(a) The charter of the Surviving Corporation in effect on the effective date shall be the charter of the Surviving Corporation until amended in accordance with applicable law.

(b) The by-laws of the Surviving Corporation in effect on the effective date shall be the charter of the Surviving Corporation until amended in accordance with applicable law.

3. Effect of the Merger.

The Merger shall have the effect set forth in T.C.A. § 48-61-105. Upon the Merger, Berry's Chapel, the surviving corporation, shall assume the contracts, obligations and liabilities of every nature of Lynwood and shall thereupon and thereafter possess all rights, privileges, immunities, assets, property, debts, liabilities and choses in action of the merging corporations, without the necessity of any other formal documentation, except as may be required by law.

4. Covenants.

(a) For the Lynwood sewer system, Berry's Chapel shall issue a promissory note to John Ring in the approximate amount of \$1,200,000 and a promissory note to Tyler L. Ring in the approximate amount of \$1,200,000, John Ring and Tyler Ring being the shareholders of Southern Utility Corporation, the sole shareholder of Lynwood, with such promissory notes to be secured by a second mortgage on the real property and a first lien on the personal property of Berry's Chapel. Each promissory note shall have the following terms:

Date of maturity – September 1, 2030

Interest rate 2% for the first two years of the note
 2.5% for the third year of the note
 3.0 % for the remaining 17 years of the note

Payments Beginning on September 1, 2013, an annual payment in the amount of \$50,000 will be due on August 31st of each year with a balloon payment on August 31, 2030.

(b) With the Merger of Lynwood with and into Berry's Chapel, all shares of stock of Lynwood shall thereupon be cancelled and extinguished in all respects.

(c) On the effective date of the Merger, the Lynwood sewer treatment and collection

system shall be transferred to the books and records of Berry's Chapel at the fair market value on the effective date with an approximate value of \$5,580,000.

IN WITNESS WHEREOF, the parties have caused their names to be subscribed hereto on the day and year first above written.

LYNWOOD UTILITY CORPORATION

By: _____
Tyler L. Ring, President

BERRY'S CHAPEL UTILITY, INC.

By: _____
Tyler L. Ring, President

**ACTION WITHOUT MEETING BY BOARD OF DIRECTORS OF BERRY'S CHAPEL
UTILITY, INC.**

Pursuant to the provisions of the Tennessee Business Corporation Act, the Board of Directors of Berry's Chapel Utility, Inc. hereby resolves to approve and adopt the Agreement attached hereto on the date for the transfer of the responsibility of the NPDES Permit No. TN0029718 from Lynwood Utility Corporation to Berry's Chapel Utility, Inc.

By: 
John Ring, Director

Date: July 21, 2010

By: 
Tyler L. Ring, Director

Date: July 21, 2010

AGREEMENT

This Agreement (the Agreement) entered into this ____ day of July, 2010 between Lynwood Utility Corporation and Berry's Chapel Utility, Inc.

WITNESSETH:

Whereas, Lynwood Utility Corporation (Lynwood) and Berry's Chapel Utility, Inc. (Berry's Chapel) have entered into an Agreement and Plan of Merger in which the parties have agreed to merge Lynwood into Berry's Chapel with Berry's Chapel being the surviving corporation;

Whereas, the effective date of the merger is September 1, 2010;

Whereas, effective September 1, 2010, Berry's Chapel will assume all of the assets and liabilities of Lynwood including Lynwood's NPDES Permit No. TN0029718; and

Whereas, because Lynwood is simply merging into Berry's Chapel, there will be no modifications to the permitted facility, its operations or any other changes which might affect the permit limits and conditions contained in the permit.

NOW THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt of which is hereby acknowledged, including the mutual covenants, terms, conditions and restrictions in this Agreement, the parties agree as follows.

1. Lynwood Utility Corporation and Berry's Chapel Utility, Inc. agree that on September 1, 2010, Berry's Chapel Utility, Inc. will assume permit responsibility, coverage and liability for NPDES Permit No. TN0029718.

**ACTIONS OF BOARD OF DIRECTORS WITHOUT MEETING OF BERRY'S CHAPEL
UTILITY, INC.**


The undersigned, being all of the Directors on the Board of Directors of Berry's Chapel Utility, Inc., do hereby consent to taking the following actions without a meeting in connection with the organization of the corporation and agree and consent to such actions as follows:

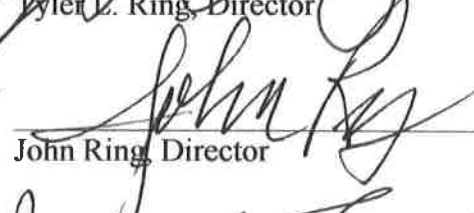
1. That the actions taken by the incorporator be approved, confirmed and ratified.
2. That the Charter of Berry's Chapel Utility, Inc., which has been duly filed and issued by the Tennessee Secretary of State, be accepted on behalf of the corporation and that the same be preserved as a part of the corporate records.
3. That the form of bylaws which has been drafted by legal counsel for the regulation of the affairs of the corporation be adopted as the Bylaws of this corporation.
4. That the following be the duly-elected officers of this corporation to serve during the ensuing year and until their successors are chosen and qualified:

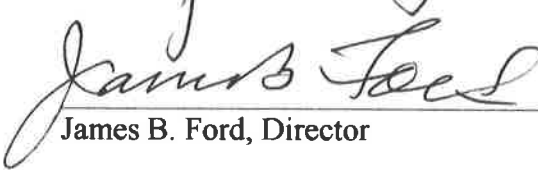
Tyler L. Ring	President
John Ring	Vice President
James B. Ford	Secretary-Treasurer

5. That the fiscal year of the corporation shall be the same period selected as the tax year for the corporation for federal income tax purposes.
6. That the corporation is authorized and directed to pay all fees and expenses incident and necessary to its organization.
7. That the President of this corporation is authorized to enter into and execute on behalf of the corporation all necessary contracts, agreements and other required documents and make all arrangements which may be necessary for the commencement and operation of the business of the corporation.

Dated the 21st day of July, 2010.


Tyler L. Ring, Director


John Ring, Director


James B. Ford, Director

RESPONSE
TO
CAPD
REQUEST
#46

James Ford

From: Chad Milom [cmilom@lbmc.com]
Sent: Thursday, February 16, 2012 5:19 PM
To: James Ford
Subject: Workpaper review

Jim,

In regards to your question related to the audit workpapers, we cannot provide copies of workpapers as many of the workpapers are proprietary in nature. With our client's consent, we can allow access to the workpapers for a third party review. At that time, certain workpapers can be requested, but only information that is client prepared are customarily provided. If a third party wishes to review the workpapers, both the client and the third party must sign a consent and release and any time spent preparing the files for review, as well as monitoring the files during the review process will be billed at our standard hourly rates.

Chad L. Milom, CPA
Partner, Accounting and Assurance Services
Lattimore, Black, Morgan and Cain, P.C.
LBMC Financial Center
5250 Virginia Way
P.O. Box 1869
Brentwood, TN 37024-1869
(P) 615-309-2315
(F) 615-309-2615
www.lbmc.com

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Thank you.
The LBMC Family of Companies

CIRCULAR 230 DISCLOSURE

"We are required by IRS Circular 230 to inform you that the advice contained herein (including all attachments) was not intended or written to be used for the purpose of avoiding any penalties that may be imposed under Federal tax law and cannot be used by you or any other taxpayer for the purpose of avoiding such penalties."

2/16/2012

RESPONSE
TO
CAPD
REQUEST
#47

**CHARTER
OF
BERRY'S CHAPEL UTILITY, INC.**

FILED
RECEIVED
STATE OF TENNESSEE

2010 JUL 16 PM 4:08

TRE HARGETT
SECRETARY OF STATE

The undersigned, acting as the incorporator of a corporation under the Tennessee Nonprofit Corporation Act, adopts the following Charter for such corporation:

1. The name of the corporation is Berry's Chapel Utility, Inc.
2. This corporation is a mutual benefit corporation.
3. The initial registered agent for the corporation is Tyler L. Ring whose street address is 321 Billingsly Court, Suite 4, Franklin, Tennessee 37065.
4. The name and address of the incorporator is:

Tyler L. Ring
321 Billingsly Court, Suite 4
Franklin, TN 37065
5. The street address of the principal office of the corporation is 321 Billingsly Court, Suite 4, Franklin, Tennessee 37065.
6. This corporation is not for profit.
7. This corporation is not a religious corporation.
8. This corporation will not have members.
9. This corporation's initial directors and their addresses are:

John Ring
321 Billingsly Court, Suite 4
Franklin, TN 37065

Tyler L. Ring
321 Billingsly Court, Suite 4
Franklin, TN 37065

James B. Ford
9679 Aurora Court
Brentwood, TN 37027

5745.2528

10. The purpose of the corporation shall be to own and operate a sanitary sewer collection and treatment system and to engage in any other lawful business.
11. Upon dissolution, after all creditors of the corporation have been paid, its assets shall be distributed to any person, partnership, limited partnership, limited liability company or corporation engaged in the sanitary sewer business or to the State of Tennessee or any county, municipality or political subdivision of the State of Tennessee.
12. To the extent allowed by the laws of the State of Tennessee, no present or future director of the corporation (or his or her estate, heirs and personal representatives) shall be liable to the corporation for monetary damages for breach of fiduciary duty as a director of the corporation. Any liability of a director (or his or her estate, heirs and personal representatives) shall be further eliminated or limited to the fullest extent allowed by the laws of the State of Tennessee, as may hereafter be adopted or amended.
13. With respect to claims or liabilities arising out of service as a director or officer of the corporation, the corporation shall indemnify and advance expenses to each present and future director and officer (and his or her estate, heirs and personal representatives) to the fullest extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted or amended.

Dated the 14th day of July, 2010.


Tyler L. Ring, Incorporator

BK/PG:5103/363-365

10024679

CHARTER	
07/27/2010	11:22 AM
BATCH	184116
MTG TAX	0.00
TRN TAX	0.00
REC FEE	5.00
DP FEE	2.00
ARC FEE	0.00
TOTAL	7.00

STATE OF TENNESSEE, WILLIAMSON COUNTY

SADIE WADE
REGISTER OF DEEDS

RECEIVED
STATE OF TENNESSEE
2010 JUL 16 PM 4:08
TRE HARGETT
SECRETARY OF STATE

Bransker
X



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

Berry's Chapel Utility, Inc.
321 Billingsly Court
Suite 4
Franklin, TN 37065 USA

July 16, 2010

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

Control # :	635712	Formation Locale:	Williamson County
Filing Type:	Corporation Non-Profit - Domestic	Date Formed:	07/16/2010
Filing Date:	07/16/2010 4:08 PM	Fiscal Year Close	12
Status:	Active	Annual Rpt Due:	04/01/2011
Duration Term:	Perpetual	Image # :	6745-2519
Public/Mutual Benefit:	Mutual		

Document Receipt

Receipt # : 221470 Filing Fee: \$100.00
Payment-Check/MO - BRANSTETTER STRANCH & JENNINGS, PLLC, NASHVILLE, TN \$100.00

Registered Agent Address

Tyler L. Ring
321 Billingsly Court
Suite 4
Franklin, TN 37065 USA

Congratulations on the successful filing of your **Charter** for **Berry's Chapel Utility, Inc.** in the State of Tennessee which is effective on the date shown above. You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee.

You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain a Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.


Tre Hargett, Secretary of State
Business Services Division

Processed By: Cheryl Donnell

FILED

**ARTICLES OF AMENDMENT TO THE
CHARTER
OF**

BERRY'S CHAPEL UTILITY, INC.

RECEIVED
STATE OF TENNESSEE
2011 MAR 24 PM 3:45
THE HARNETT
SECRETARY OF STATE

Pursuant to the provisions of Section 48-60-105 of the Tennessee Nonprofit Corporation Act, the undersigned corporation adopts the following articles of amendment to its charter:

1. The name of the corporation is Berry's Chapel Utility, Inc.
2. The text of the amendment to paragraph 6 of the corporation's charter adopted is:
 6. This corporation will have members.
3. This amendment was duly adopted on March 11, 2011 by the board of directors without members' approval, as such was not required.
4. Additional approval of the amendment by anyone other than the board of directors is not required.

DATED this 11th day of March, 2011.



Tyler L. Ring, Director - President

6057.1015

Branstetter-mail



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

March 24, 2011

Berry's Chapel Utility, Inc.
321 Billingsly Court
Suite 4
Franklin, TN 37065

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

Control # : 635712 Status: Active
Filing Type: Corporation Non-Profit - Domestic

Document Receipt

Receipt # : 401534	Filing Fee:	\$20.00
Payment-Cash - Berry's Chapel Utility, Inc., Franklin, TN		\$20.00

Amendment Type: Articles of Amendment
Filed Date: 03/24/2011 3:45 PM

Image # : 6857-1015

This will acknowledge the filing of the attached articles of amendment with an effective date as indicated above. When corresponding with this office or submitting documents for filing, please refer to the control number given above.

You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee.


Tre Hargett
Secretary of State

Processed By: Cynthia Dunn

BK/PG:5293/40-41

11011526

CHARTER	
04/04/2011	02:36 PM
BATCH	211586
MTG TAX	0.00
TRN TAX	0.00
REC FEE	5.00
DP FEE	2.00
REG FEE	0.00
TOTAL	7.00

STATE OF TENNESSEE, WILLIAMSON COUNTY
SADIE WADE
REGISTER OF DEEDS

**BYLAWS
OF
BERRY'S CHAPEL UTILITY, INC.**

These Bylaws shall regulate the affairs of the Corporation, subject to the provisions of the Corporation's Charter and any applicable provisions of the Tennessee Nonprofit Corporation Act, *T.C.A. § 48-51-101, et seq.* (the "Act").

SECTION 1 – OFFICES AND REGISTERED AGENT

Section 1.01. *Registered Office.* The Corporation shall designate and continuously maintain a registered office in the State of Tennessee.

Section 1.02. *Principal Office.* The principal office of the Corporation shall be that which is designated as such in its Charter.

Section 1.03. *Other Offices.* The Corporation may also have other offices within and without the State of Tennessee at such places as the Board of Directors may from time to time determine.

Section 1.04. *Registered Agent.* The Corporation shall designate and continuously maintain a registered agent in the State of Tennessee at its registered office.

SECTION 2 MEMBERS

Section 2.01. *Eligibility.* Any natural person, firm, association, corporation, cooperative, business trust, partnership, federal, state or local government, or departments, agencies or any other political subdivision thereof (each hereinafter referred to as "person," "applicant," "him" or "his") that receives sewer service from Berry's Chapel Utility, Inc. (hereinafter called the "Corporation") at one or more premises owned or directly occupied or used by the person is eligible to become a member of the Corporation.

Section 2.02. *Admission of Members.* An eligible person shall become a member upon completing and executing an application for membership and delivering it to the Corporation.

Section 2.03. *Rights and Obligations.* Except as set forth in Section 2.04, each member shall have one (1) vote and shall have the same rights and obligations with respect to voting, dissolution, redemption, transfer and all other matters as all other members.

Section 2.04. *Joint Membership.* A husband and wife, by specifically so requesting in writing, may be accepted into joint membership or, if one of them is already a member, may automatically convert such membership into a joint membership. The words "member," "applicant," "person," "his," and "him," as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations,

responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing:

- (a) the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting;
- (b) the vote of either or both shall constitute, respectively, one joint vote; provided, if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote;
- (c) notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice; and
- (d) suspension or termination in any manner of either shall constitute suspension or termination of the joint membership.

Section 2.05. *Excess Payments to be Credited as Member-Furnished Capital.* All amounts paid for sewer service in excess of the cost thereof shall be treated as member-furnished capital as provided in Section 7 of these Bylaws.

Section 2.06. *Resignation.* A member may resign at any time by delivering to the Secretary of the Corporation a written notice of such resignation signed by the member which shall be included in the corporate records. A resignation shall not be effective before the date and time the Secretary actually receives written notice of it. A person's membership shall be terminated upon his death.

Section 2.07. *Termination by Withdrawal.* A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors resigning his membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished sewer service, or (b) totally and permanently abandoning the use of sewer service on such premises.

Section 2.08 *Expulsion or Suspension.* A member may be expelled or suspended by the Board of Directors, but notice and an opportunity to be heard shall first be given to the member as set forth below, and the expulsion or suspension procedure shall be fair, reasonable and carried out in good faith:

- (a) The member shall be given not less than fifteen (15) days' prior written notice of the expulsion or suspension, and the reason(s) therefor; and
- (b) The member must be given the opportunity to be heard, orally or in writing, by the Board of Directors not less than five (5) days before the effective date of the expulsion or suspension.

For purposes of this Section 2.08 only, any written notice given by mail shall be sent postage prepaid by first class United States mail or by certified United States mail, return receipt requested, and sent to the last address of the member shown on the Corporation's records.

Section 2.09. *Effect of Death, Legal Separation or Divorce Upon a Joint Membership.* Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint; Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint.

Section 2.10. *Transfers and Encumbrances.* No member shall transfer, by operation of law or otherwise, or encumber in any way his membership or any right arising therefrom.

Section 2.11. *Annual Meeting.* The annual meeting of the members of the Corporation shall be held at such date, time and place as fixed by the Board of Directors. At the annual meeting, the members shall elect Directors, receive reports on the activities and financial condition of the Corporation, and transact such other business as may properly come before the meeting.

Section 2.12. *Special Meetings.* A special meeting of the members may be called by the Board of Directors, by that number of directors that is one (1) less than a majority of the directors in office, or by a petition signed by no fewer than ten (10%) percent of the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 2.13. The notice of a special meeting shall include the purpose or purposes of the meeting.

Section 2.13. *Notice of Meetings.*

(a) The Corporation shall notify its members of the date, time and place of each annual and special meeting of members no fewer than ten (10), nor more than forty-five (45) days before the meeting date. Notice of a meeting shall be by mail (and, in the case of a special meeting, at the direction of those calling the meeting). Any such notice may be included with member service billings or as an integral part of the Corporation's monthly publication. Such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Corporation, with postage thereon prepaid and mailed not later than or earlier than the required days prior to the meeting date.

(b) The incidental and non-intended failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection. Appearance at meeting is waiver of notice.

Section 2.16. *Quorum.* A quorum for the transaction of business at meetings of the members shall be five percent (5%) of all members.

Section 2.17. *Voting Requirements.* Each member shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members regardless of the number of memberships held. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Corporation, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Corporation's Charter or these Bylaws.

Section 2.18. *Action by Written Ballot.* Any action that may be taken at any annual or special meeting of members may be taken without a meeting if the Corporation delivers a written ballot to every member entitled to vote on the matter. The written ballot shall set forth each proposed action and shall provide an opportunity to vote for or against each proposed action. Approval by written ballot shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. All solicitations for votes by written ballot shall:

- (a) Indicate the number of responses needed to meet the quorum requirements;
- (b) State the percentage of approvals necessary to approve each matter other than election of Directors; and
- (c) Specify the time by which the ballot must be received by the Corporation in order to be counted.

SECTION 3 BOARD OF DIRECTORS

Section 3.01. *General Powers and Qualifications.* All corporate powers of the Corporation shall be exercised by and under the authority of, and the affairs of the Corporation shall be managed under the direction of, the Board of Directors. All Directors must be natural persons, must receive sewer service from the Corporation at his residence and shall be at least eighteen (18) years of age.

Section 3.02. *Number of Directors.* The Board of Directors shall be comprised of five (5) Directors, but these Bylaws may be amended from time to time to increase or decrease the number of Directors within the limits provided by law, although at no time shall there be fewer than three (3) Directors.

Section 3.03. *Election and Tenure.* Directors shall be elected by the members at each annual meeting of the members, and each Director shall be elected to serve for a term of one (1) year, or until his or her successor is elected and qualifies; subject, however, to the removal of any Director by the members as provided in these Bylaws. The three Directors serving on the Corporation's Board of Directors on the effective date of these bylaws shall continue to serve

until the first annual meeting of the members. Nominations for members to serve on the Board of Directors shall be submitted to the Corporation before or at the annual meeting.

Section 3.04. *Regular Meetings.* Except as otherwise provided herein, regular meetings of the Board of Directors may be held without notice at such time and place as the Board of Directors shall determine from time to time, but no less frequently than once a year.

Section 3.05. *Special Meetings.* Special meetings of the Board of Directors may be called by the President or by any two (2) Directors.

Section 3.06. *Notice of Meetings.* Except as otherwise provided herein, regular meetings of the Board of Directors may be held without notice of the date, time, place, or purpose of the meeting. Except as otherwise provided herein, special meetings of the Board of Directors must be preceded by at least two (2) days' notice to each Director of the date, time and place, but not the purpose, of such special meeting. Notice of any adjourned meeting need not be given if the time and place to which the meeting is adjourned are fixed at the meeting at which the adjournment is taken, and if the period of adjournment does not exceed one (1) month in any one (1) adjournment.

Section 3.07. *Waiver of Notice.* If a Director attends or participates in a meeting, he waives any required notice to him of the meeting unless the Director at the beginning of the meeting (or promptly upon arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 3.08. *Quorum and Voting.* A quorum of the Board of Directors consists of a majority (but no fewer than two (2)) of the Directors then in office before a meeting begins. If a quorum is present when a vote is taken, the affirmative vote of a majority of the Directors present is the act of the Board of Directors, unless these Bylaws, the Charter or the Act require the vote of a greater number of Directors.

Section 3.09. *Vacancy.* If a vacancy occurs on the Board of Directors during the term of a Director, the vacancy shall be filled by the affirmative vote of the remaining Directors until the next annual member meeting.

Section 3.10. *Removal of Directors.* The members may remove any one (1) or more Directors, with or without cause, at any special meeting that is specifically called for that purpose.

Section 3.11. *Action Without Meeting.* Action that is required or permitted to be taken at a meeting of the Board of Directors may be taken without such a meeting if all Directors consent to taking such action without a meeting. If all Directors so consent, the affirmative vote of the number of Directors that would be necessary to authorize or take such action at a meeting shall be the act of the Board, except as otherwise provided in these Bylaws. Such consent shall describe the action taken, be in writing, be signed by each Director entitled to vote, indicate each signing Director's vote or abstention on the action, and be delivered to the Secretary of the Corporation and included in the minutes filed with the corporate records.

Section 3.12. *Indemnification.* With respect to claims or liabilities arising out of service as a Director of the Corporation, the Corporation shall indemnify and advance expenses to each present and future Director (and his or her estate, heirs, and personal representatives) to the fullest extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted or amended.

Section 3.13. *Immunity.* To the fullest extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted or amended, each present and future Director (and his or her estate, heirs, and personal representatives) shall be immune from suit arising from the conduct of the affairs of the Corporation.

SECTION 4 – OFFICERS

Section 4.01. *Required Officers.* The officers of the Corporation shall be a President, Vice-President and Secretary-Treasurer and such other officers as may from time to time be elected or appointed by the Board of Directors. Except for the offices of President and Secretary-Treasurer, the same individual may simultaneously hold more than one (1) office in the Corporation. All officers must be natural persons and shall be at least eighteen (18) years of age.

Section 4.02. *Election.* Each year at a meeting fixed and held by the Board of Directors, the Board shall elect the officers of the Corporation by a majority vote of those Directors present, provided a quorum exists.

Section 4.03. *Term of Office.* The officers of the Corporation shall hold office for one (1) year or until their successors are chosen and qualify in their stead, subject, however, to the right and authority of the Board of Directors to remove any officer at any time with or without cause.

Section 4.04. *Powers and Duties of Officers.* The powers and duties of the officers of the Corporation shall be as follows:

- (a) *President.* The President shall be the Chief Executive Officer of the Corporation, shall have general and active management of the Corporation, and shall see that all orders and resolutions of the Board of Directors are carried into effect, subject, however, to the right of the Board of Directors to delegate any specific powers, unless exclusively conferred upon the President by law, to any other officer of the Corporation.
- (b) *Vice President.* The Vice President shall have such powers and perform such duties as may be assigned to him or her by the Board of Directors or the President. In the absence or disability of the President, the Vice President shall perform the duties and exercise the powers of the President. The Vice President may sign and execute contracts and other obligations pertaining to the regular course of his or her duties.
- (c) *Secretary-Treasurer.* The Secretary-Treasurer shall attend all meetings of the Board of Directors of the Corporation and shall be responsible for preparing the minutes of such

meetings. The Secretary-Treasurer shall be responsible for the care and custody of the minute book of the Corporation and for authenticating records of the Corporation. It shall be his or her duty to give or cause to be given notice of all meetings of the Board of Directors. In the event the Secretary-Treasurer is absent for some reason from any meeting where minutes are to be prepared or is otherwise unable to take such minutes, the presiding officer of such meeting shall appoint another person, subject to the approval of those present and entitled to vote at such meeting, to take the minutes thereof. The Secretary-Treasurer shall have custody of the Corporation funds and securities, shall keep full and accurate account of receipts and disbursements in the appropriate Corporation books, and shall require the deposit of all monies and other valuable assets in the name of and to the credit of the Corporation in such financial institutions as may be designated by the Board of Directors. The Secretary-Treasurer shall require disbursement of the funds of the Corporation as may be ordered by the Board of Directors, and shall render to the President and the Board of Directors, at any time they may require, an account of his or her transactions as Secretary-Treasurer and of the financial condition of the Corporation. The Secretary-Treasurer shall also perform such other duties as may be assigned to him or her by the Board of Directors or by the President, under whose supervision he shall act.

Section 4.05. *Removal.* The Board of Directors may remove any officer at any time with or without cause.

Section 4.06. *Vacancies.* Any vacancies occurring in the offices of the President, Vice President, Secretary-Treasurer shall be filled by the Board of Directors as soon as practicable. Vacancies in other offices may be filled at the discretion of the Board of Directors.

Section 4.07. *Delegation of Powers and Duties.* In case of the absence of any officer of the Corporation, or for any reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the powers of such officer to any other officer or to any Director for the time being.

Section 4.08. *Indemnification.* With respect to claims or liabilities arising out of service as an officer of the Corporation, the Corporation shall indemnify and advance expenses to each present and future officer (and his or her estate, heirs and personal representatives) to the fullest extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted or amended.

SECTION 5 – RECORDS AND REPORTS

Section 5.01. *Corporate Records.* The Corporation shall keep as permanent records minutes of all meetings of its members and Board of Directors, a record of all actions taken by the members or Board of Directors without a meeting, appropriate accounting records, and a list of its members in alphabetical order by class showing their respective addresses and the number of votes each member is entitled to vote.

Section 5.02. *Records at Principal Office.* The Corporation shall keep at all times a copy of the following records at its principal office:

- (a) Its Charter or Restated Charter and all amendments thereto;
- (b) These Bylaws and all amendments thereto;
- (c) Resolutions adopted by the Board of Directors relating to the characteristics, qualifications, rights, limitations and obligations of members or any class or category of members;
- (d) The minutes of all meetings of members and the records of all actions taken by members without a meeting for the past three (3) years;
- (e) All written communications to members generally within the past three (3) years, including the past three (3) years' annual financial statements;
- (f) A list of the names and business or home addresses of its current Directors and officers; and
- (g) The most recent annual report delivered to the Tennessee Secretary of State.

Section 5.03. *Annual Financial Statements.* The Corporation shall prepare annual financial statements that include a balance sheet as of the end of the fiscal year, an income statement for that year, and such other information necessary to comply with the requirements of the applicable provisions of the Act.

SECTION 6 – MISCELLANEOUS PROVISIONS

Section 6.01. *Fiscal Year.* The fiscal year of the Corporation shall be July 1 through June 30.

Section 6.02. *No Seal.* The Corporation shall have no seal.

Section 6.03. *Notices.* Whenever notice is required to be given to Directors or officers, unless otherwise provided by law, the Charter or these Bylaws, such notice may be given in person, or by telephone, telegraph, teletype or other form of wire or wireless communication, or by mail or private carrier or by electronic mail. If such notice is given by mail, it shall be sent postage prepaid by first class United States mail or by registered or certified United States mail, return receipt requested, and addressed to the respective address that appears for each such person on the books of the Corporation. Written notice shall be deemed to have been given at the earliest of the following:

- (a) When received;
- (b) Five (5) days after its deposit in the United States mail if sent first class, postage prepaid; or
- (c) On the date on the return receipt, if sent by registered or certified United States mail, return receipt requested, postage prepaid and the receipt is signed by or on behalf of the addressee.

Section 6.04. *Waiver of Notice.* Whenever any notice is required to be given under the provisions of any statute, or of the Charter or these Bylaws, a waiver thereof in writing signed by the person entitled to such notice, whether before or after the date stated thereon, and delivered to the Secretary of the Corporation and included in the minutes or corporate records, shall be deemed equivalent thereto.

Section 6.05. *Negotiable Instruments.* All checks, drafts, notes or other obligations of the Corporation shall be signed by such of the officers of the Corporation, or by such other person(s), as may be authorized by the Board of Directors.

Section 6.06. *Deposits.* The monies of the Corporation may be deposited in the name of the Corporation in such bank(s) or financial institution(s) as the Board of Directors shall designate from time to time and shall be drawn out by check signed by the officer(s) or person(s) designated by resolution adopted by the Board of Directors.

SECTION 7 – NONPROFIT OPERATION

Section 7.01. *Interest or Dividends on Capital Prohibited.* The Corporation shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its patrons.

Section 7.02. *Disposition of Revenues; Distribution of Excess.* With respect to the Corporation's furnishing of sewer service, the revenues therefrom for any fiscal year, in excess of the amount thereof necessary:

- (a) to defray expenses of the Corporation, including the operation and maintenance of its facilities during such fiscal year;
- (b) to pay interest and principal obligations of the Corporation coming due in such fiscal year;
- (c) to finance, or to provide a reserve to finance, the construction or acquisition by the Corporation of additional facilities to the extent determined by the Board;
- (d) to provide a reasonable reserve for working capital;
- (e) to provide a reserve for the payment of indebtedness of the Corporation maturing more than one year after the date of the incurrence of such indebtedness in an amount not less than the total of the interest and principal payments in respect thereof required to be made during the next following year; and
- (f) to comply with any covenant or obligation of the Corporation pursuant to any contract in which it has entered;

Shall be distributed or credited by the Corporation to patrons:

- (a) as patronage refunds prorated in accordance with the patronage of the Corporation by the respective patrons paid for during or with respect to such fiscal year; or
- (b) by way of general reductions of rates or other charges; or
- (c) by any combination of such methods.

Section 7.03. *Use of Contributed Capital.* The primary purpose of the Corporation is to furnish its patrons with sewer service at the lowest rates and charges consistent with prudent management and sound economy. Therefore, all amounts received and receivable from the furnishing of sewer service to patrons, members and non-members alike, in excess of operating costs and expenses properly chargeable thereto are at the moment of receipt by the Corporation received with the understanding that they are furnished by the patrons as capital. Capital contributed by the patrons shall be used only for capital purposes, including, without limitation, new sewer system improvements, the retirement of sewer system indebtedness at or prior to maturity, and working capital adequate for all purposes, and for facilitation of general rate reductions.

Section 7.04. *Ascertainment of Contributed Capital.* The Corporation shall maintain such books and records as will enable it at any time, upon reasonable notice, to compute the amount of capital contributed during any given accounting period by each of its patrons.

Section 7.05. *Contract.* The patrons of the Corporation, by dealing with the Corporation, acknowledge that the provisions of this Section of the Bylaws shall constitute and be a contract between the Corporation and non-member patrons, and both the Corporation and such patrons are bound by such contract as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provision of this Section of the Bylaws shall be called to the attention of such patrons by being posted in the Corporation's offices.

SECTION 8 - WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

SECTION 9 - RULES OF ORDER

Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members or Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Corporation's Charter or Bylaws. This Article shall be subordinate to any other provision of these Bylaws pertaining to the votes required for action by members, directors or committees.

SECTION 10 – RATES AND RULES AND REGULATIONS

The Board of Directors shall set the Corporation's rates and charges for sewer service and shall establish the rules and regulations governing the provision of sewer service by the Corporation. The Corporation's rates and charges and rules and regulations governing the provision of sewer services on the effective date of these Bylaws are attached as Appendix A to these Bylaws. The Board of Directors may change, alter and amend the rates and charges for sewer service and the

rules and regulations governing the provision of sewer service at any time. The Corporation's rates and charges for sewer service and the rules and regulations governing the provision of sewer services shall become a part of every contract with any patron receiving sewer service from the Corporation.

SECTION 11 – AMENDMENT OF BYLAWS

Section 11.01. *By Members.* The Members may amend or repeal these Bylaws at any annual or special meeting of the members where a quorum is present, provided that the notice of such meeting shall state that the purpose, or one (1) of the purposes, of the meeting is to amend the Bylaws and shall also contain a description of the amendment to be considered. An amendment to these Bylaws must be approved by the members by the lesser of: (a) two-thirds (2/3) of the votes cast, or (b) a majority of the total number of votes entitled to be cast. These Bylaws may also be amended by the members without a meeting in the same manner as provided therefor herein, except that such action to amend must be by: (a) two-thirds (2/3) of the votes cast, or (b) a majority of the total number of votes entitled to be cast, whichever is less.

Section 11.02. *By Board of Directors.* By a majority vote of the Directors then in office, the Board of Directors may amend these Bylaws, including bylaws adopted by the members, at any regular or special meeting of the Board of Directors where a quorum is present, provided that such meeting is preceded by at least two (2) days' notice to each Director of the date, time and place of the meeting. Such notice shall also state that the purpose, or one of the purposes, of the meeting is to consider a proposed amendment to the Bylaws, and shall contain or be accompanied by a copy or summary of the proposed amendment or state the general nature thereof. These Bylaws may also be amended by the Directors without a meeting in the same manner as provided therefor herein, except that such action to amend must be by a majority vote of the Directors then in office.

APPENDIX A

MONTHLY SEWER SERVICE BILLING

RESIDENTIAL, CONDOMINIUM, HOUSE OR APARTMENT

Charge per 1,000 gallons	
(Actual or Assumed Flow)	\$8.35
Minimum Monthly Charge	\$15.00
	\$25.00 — Effective November 1, 2010
Facilities Charge	\$20.00 — Effective November 1, 2010

NON-RESIDENTIAL

Charge per 1,000 gallons	
(Actual or Assumed Flow)	\$10.34
Minimum Monthly Charge	\$15.00
	\$30.00 — Effective November 1, 2010
Facilities Charge	\$30.00 — Effective November 1, 2010

TAP FEES

<u>RESIDENTIAL</u>	\$3,500.00
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NON-RESIDENTIAL

Charge per gallon per day	
(Computed by multiplying the peak monthly	
Usage during the first year by 12 divided	
by 365 days)	\$7.86

SEWER CONNECTION FEES

<u>RESIDENTIAL OR NON RESIDENTIAL</u>	\$250.00
---------------------------------------------	----------

GENERAL FEES

<u>RETURNED CHECK CHARGE</u>	\$30.00
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RULES AND REGULATIONS FOR SEWER SERVICE

Statement of Purpose

The general purposes of these rules and regulations are:

1. To establish procedures for furnishing sewerage and sewage treatment services on a uniform basis to customers within the service area boundary of the BERRY'S CHAPEL UTILITY, INC..
2. To provide standards and procedures for:
 - a. Acceptable sewage characteristics
 - b. Excessive sewage volume
 - c. Engineering design standards
 - d. Construction and inspection requirements
 - e. Quality of material

Definition of Terms

1. Corporation - The Corporation shall mean the Berry's Chapel Utility, Inc.
2. Engineer - The word Engineer shall mean the consulting engineer of the Berry's Chapel Utility, Inc.
3. Customer - The word Customer shall mean any person, firm, corporation, association or government unit furnished sewerage services by the Corporation.
4. Property - The word Property shall mean all facilities owned and operated by the Corporation.

5. Trunk Sewer - The words Trunk Sewer shall mean a sewer that runs parallel to a natural drainage channel and receives sewage from many tributary branches and terminates at the sewage treatment plant or major lift station.
6. Collector Sewer - The words Collector Sewer shall mean those sewers running within the development and conveying the sewage to the trunk sewer.
7. Lateral Sewer - The words Lateral Sewer shall mean those sewers extending from the Collector Sewer to the property line of the Customer
8. Building Sewer - The words Building Sewer shall mean that sewer extending from the Customer's property line to his place of business or residence.

Authorization of Rules and Regulations

The BERRY'S CHAPEL UTILITY, INC., a corporation organized and engaged in business as a public utility in the State of Tennessee under a Certificate of Convenience and Necessity issued by the Tennessee Public Service Commission on June 14, 1976 under Docket No. U-6162, submits the following statement of its rules and regulations.

Effect of Rules and Regulations

All provisions of these rules and regulations shall be incorporated in each contract with each sewerage Customer of Berry's Chapel Utility, Inc..

Utility Items on Private Property

The Corporation shall not furnish on or maintain any items or appurtenances for sewer service on the customer's premises without execution of an agreement for an easement or encroachment. No property of the Corporation shall be located on the premises of customers except the sewer shut-off valve, and the Corporation shall be responsible for the shut-off valve. The Building Sewer shall be maintained by the Customer.

Discontinuance of Service

Sewer service may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth.
2. For misrepresentation in the application for service.
3. For adding to the Property or fixtures without notice to the Corporation.
4. For failure to protect the connections, service lines or fixtures in good order.
5. For tampering with any service pipes or any Property of the Corporation in any way whatsoever.
6. Vacancy of premises.
7. For violation of any rules of the Corporation.
8. For disconnecting or re-connecting service by any party other than a duly authorized agent of the Corporation without the consent of the Corporation.

Non-Payment Penalties

The Corporation has contracted with the City of Franklin and with H. B. & T. S. Utility District which utilities provide water service to the Corporation's customers to bill and collect its sewer charges. These water utilities have agreed to terminate water service for the non-payment of sewer charges to enforce the collection of sewer charges. Any penalty for late payment of sewer charges, fees related to the termination of water service to enforce the payment of sewer charges, and any reconnection fees will be the fees charged by these water utilities for these services. No service shall be turned on again if discontinued for non-payment (or any other valid reason) until all charges have been paid.

Change of Ownership, Tenancy or Service

A new application and agreement must be made and approved by the Corporation on any change in ownership of property, or in tenancy, or in the service as described in the application. In the event of failure of a new owner or tenant to make such application, the Corporation shall have the right to discontinue service until such new application is made and approved.

Security Deposits

Each new Customer, before connection or reconnection, of the service may be required to make a refundable deposit to secure payment of sewerage bills in an amount double the monthly bill for that particular type of customer. Interest as approved by the Authority will be paid on any such refundable Deposit.

Special Pretreatment Sewage Requirements

For all sewerage connections, in addition to the customary tap fees, the Corporation reserves the right to require any non-residential user to provide special treatment for any high strength effluent before discharge into its sewerage system. The Corporation may, upon the basis of recognized engineering standards and treatment cost, increase the tap fees or sewer service charges to cover the cost of treatment of high strength effluent or industrial waste with the approval of the Authority, and may impose recognized engineering standards as to the maximum size of solids and constituents in such waste discharged into its sewerage system.

Damages

The Corporation shall in no event be responsible for maintaining any service line owned by the Customer, for damages created by sewage escaping therefrom, or for defects in lines or fixtures on the property of the Customer. The Customer shall at all times comply with all

regulations of the Corporation relating to the service lines and shall make all changes in the Customer's line required on account of grade or otherwise.

All leaks in any pipe are fixture on the premises of the Customer shall be immediately repaired. On failure to repair any such leak, the service may be discontinued until repairs are made.

In Event of Emergency

The Corporation shall not be liable to the Customer for interruption in service or for damages or inconvenience as a result of any interruption, stoppage, etc., which is beyond the reasonable control of the Corporation.

Extension Plan

The Corporation will furnish sewer services to all property owners whose lands abut the trunk sewer. The sewer service charges and tap fees included in this tariff do not include costs for constructing collector and lateral sewers and do include costs for constructing trunk sewers and lift stations. Any collector and/or lateral sewers required to service such abutting properties shall be constructed at the cost of the party desiring it, and these sewers shall become the property of the Corporation to be credited to the account for contribution in aid of construction. If the said desiring party does not wish to construct his own collector and lateral sewers, the Corporation may construct them and charge the desiring party the total project costs for same. The desiring party shall obtain at its expense the easements required by the Corporation for any collector and/or lateral sewers.

Plans for any extensions shall be reviewed and approved by the Engineer prior to construction.

Contributions in Aid of Construction & Advances in Aid of Construction

All contributions and advances that are treated as taxable revenues by the IRS, whether in the form of property or cash, shall be increased by a cash flow payment to the utility, in an amount equal to 33% of the contribution or advance. The contribution or advance will be equal to the "original cost" if in the form of property or face value if in the form of cash.

Contracts for Service

Each customer before installation of service shall be required to execute on the appropriate forms furnished by the Corporation or its designated representative.

COPY

BRANSTETTER, STRANCH & JENNINGS, PLLC

ATTORNEYS AT LAW
227 SECOND AVENUE NORTH

FOURTH FLOOR
NASHVILLE, TENNESSEE 37201-1631
TELEPHONE (615) 254-8801
FACSIMILE (615) 250-3937

CECIL D. BRANSTETTER, SR.
C. DEWEY BRANSTETTER, JR.
RANDALL C. FERGUSON
R. JAN JENNINGS *
JOE P. LENISKI, JR.
DONALD L. SCHOLES
JAMES G. STRANCH, III
J. GERARD STRANCH, IV
JANE B. STRANCH

*ALSO ADMITTED IN GA

ASSOCIATES:
B. DENARD MICKENS
STEVEN J. SIMERLEIN *
STACEY K. SKILLMAN **
MIKE STEWART
J. D. STUART
MICHAEL J. WALL

OF COUNSEL:
ROBERT J. RICHARDSON, JR. ***

*ALSO ADMITTED IN CA
**ALSO ADMITTED IN KY
***ONLY ADMITTED IN OH

August 18, 2010

Via Hand Delivery

Tyler Ring, President
Lynwood Utility Corporation
321 Billingsly Court, Suite 4
Franklin, TN 37065

Re: Lynwood Utility Corporation Merger into Berry's Chapel Utility District

Dear Tyler:

I have enclosed the following documents which need to be executed in connection with the merger:

- (1) Agreement and Plan of Merger;
- (2) Articles of Merger;
- (3) Action Without Meeting – Lynwood – NPDES Permit Transfer;
- (4) Action Without Meeting – Berry's Chapel – NPDES Permit Transfer;
- (5) Action Without Meeting – Lynwood Board – Plan of Merger;
- (6) Action Without Meeting – Berry's Chapel Board – Plan of Merger; and
- (7) Action Without Meeting – Southern Utility Shareholder – Plan of Merger.

After these documents are executed, I will then file the Articles of Merger with the Secretary of State. The Articles of Merger have an effective date of September 1, 2010; therefore, the merger will occur by operation of the Articles of Merger on September 1, 2010.

We will need to meet on September 1, 2010, for you and Johnny to sign the loan documents. These will then be sent to Doug Brace for filing.

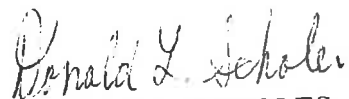
Sometime in the next couple of weeks, we need to meet to decide a course of action to take as far as a time frame on letting people know about the merger and to officially adopt bylaws with the rates and rules and regulations which Berry's Chapel Utility, Inc. is going to use to provide sewer service.



Tyler Ring, President
August 18, 2010
Page 2

I am hand delivering these to your office.

Sincerely yours,


DONALD L. SCHOLES

Enclosures

c: Jim Ford (without enclosures)

COPY

BRANSTETTER, STRANCH & JENNINGS, PLLC

ATTORNEYS AT LAW
227 SECOND AVENUE NORTH

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B. DENARD MICKENS
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STACEY K. SKILLMAN **
MIKE STEWART
J. D. STUART
MICHAEL J. WALL

OF COUNSEL:
ROBERT J. RICHARDSON, JR. ***

*ALSO ADMITTED IN CA
**ALSO ADMITTED IN KY
***ONLY ADMITTED IN OH

August 20, 2010

Tyler Ring, President
Lynwood Utility Corporation
321 Billingsly Court, Suite 4
Franklin, TN 37065

Re: Lynwood Utility Corporation Merger into Berry's Chapel Utility District

Dear Tyler:

I have enclosed a copy of the Articles of Merger filed today with the Tennessee Secretary of State's office. I will keep the original here at my office.

Sincerely yours,



DONALD L. SCHOLES

Enclosure

c: Doug Brace
Jim Ford (without enclosure)



FILED
STATE OF TENNESSEE

**ARTICLES OF MERGER OF LYNWOOD UTILITY CORPORATION
INTO BERRY'S CHAPEL UTILITY, INC.**

2010 AUG 20 PM 3:13

DAVID L. GIBBETT
SECRETARY OF STATE

Pursuant to the provisions of Section 48-21-107 of the Tennessee Business Corporation Act and Section 48-61-104 of the Tennessee Nonprofit Corporation Act, the undersigned domestic corporations hereby submit these Articles of Merger and state as follows:

1. The Plan of Merger is attached hereto and was approved by each of the herein named corporations in the manner prescribed by Section 48-21-104 of the Tennessee Business Corporation Act and Section 48-61-103 of the Tennessee Nonprofit Corporation Act.
2. As to Lynwood Utility Corporation, approval of the Plan by its shareholders is required by Section 48-21-101, *et seq.*, of the Tennessee Business Corporation Act, and the Plan was duly approved by the affirmative vote of all of the votes entitled to be cast, there being no voting by voting group.
3. As to Berry's Chapel Utility, Inc., which is the surviving corporation of the merger, the Plan was duly approved by a unanimous vote of its board of directors. Berry's Chapel Utility, Inc. has no members; therefore, no vote by the corporation's members was required.
4. These Articles of Merger shall not be effective upon filing by the Secretary of State, but the delayed effective date and time they are to become effective, and the merger is to take effect, is September 1, 2010, at 12:00 a.m.

Dated this 18th day of August, 2010.

LYNWOOD UTILITY CORPORATION

By: _____

Tyler L. Ring, President

BERRY'S CHAPEL UTILITY, INC.

By: _____

Tyler L. Ring, President

6759.0426

AGREEMENT AND PLAN OF MERGER

STATE OF TENNESSEE
2010 AUG 20 PM 3:13
TENNISSEY
SECRETARY OF STATE

Pursuant to the provisions of Section 48-61-101 of the Tennessee Nonprofit Corporation Act, **Lynwood Utility Corporation (Lynwood)**, and **Berry's Chapel Utility, Inc. (Berry's Chapel)** enter into this AGREEMENT AND PLAN OF MERGER this 18th day of August, 2010.

1. Merger.

(a) On the effective date set forth in this section and upon the terms and subject to the conditions set forth in this Agreement, Lynwood shall be merged with and into Berry's Chapel whereupon the separate existence of Lynwood will cease and Berry's Chapel shall be the surviving corporation in the merger (the Surviving Corporation).

(b) As soon as practicable after the satisfaction or waiver of the conditions to obligations of the parties to consummate the Merger, Lynwood and Berry's Chapel will file articles of merger with the Tennessee Secretary of State and make all other filings and recordings required by applicable law in connection with the merger.

(c) The effective date of the Merger is September 1, 2010.

(d) On the effective date of the Merger, Lynwood will no longer exist as a separate corporation, and all responsibility, coverage and liability for the terms and conditions of Lynwood's NPDES Permit TN0029718 shall transfer to Berry's Chapel.

2. The Surviving Corporation.

(a) The charter of the Surviving Corporation in effect on the effective date shall be the charter of the Surviving Corporation until amended in accordance with applicable law.

(b) The by-laws of the Surviving Corporation in effect on the effective date shall be the charter of the Surviving Corporation until amended in accordance with applicable law.

STATE OF TENNESSEE

2010 AUG 20 PM 3:13

THE HONORABLE
SECRETARY OF STATE

3. Effect of the Merger.

The Merger shall have the effect set forth in T.C.A. § 48-61-105. Upon the Merger, Berry's Chapel, the surviving corporation, shall assume the contracts, obligations and liabilities of every nature of Lynwood and shall thereupon and thereafter possess all rights, privileges, immunities, assets, property, debts, liabilities and choses in action of the merging corporations, without the necessity of any other formal documentation, except as may be required by law.

4. Covenants.

(a) For the Lynwood sewer system, Berry's Chapel shall issue a promissory note to John Ring in the approximate amount of \$1,200,000 and a promissory note to Tyler L. Ring in the approximate amount of \$1,200,000, John Ring and Tyler Ring being the shareholders of Southern Utility Corporation, the sole shareholder of Lynwood, with such promissory notes to be secured by a second mortgage on the real property and a first lien on the personal property of Berry's Chapel. Each promissory note shall have the following terms:

Date of maturity – September 1, 2030

Interest rate 2% for the first two years of the note
 2.5% for the third year of the note
 3.0 % for the remaining 17 years of the note

Payments Beginning on September 1, 2013, an annual payment in the amount of \$50,000 will be due on August 31st of each year with a balloon payment on August 31, 2030.

(b) With the Merger of Lynwood with and into Berry's Chapel, all shares of stock of Lynwood shall thereupon be cancelled and extinguished in all respects.

(c) On the effective date of the Merger, the Lynwood sewer treatment and collection

system shall be transferred to the books and records of Berry's Chapel at the fair market value on the effective date with an approximate value of \$5,580,000.

IN WITNESS WHEREOF, the parties have caused their names to be subscribed hereto on the day and year first above written.


LYNWOOD UTILITY CORPORATION

By:


Tyler L. Ring, President

BERRY'S CHAPEL UTILITY, INC.

By:


Tyler L. Ring, President

STATE OF TENNESSEE
2010 AUG 20 PM 3:13
T. J. HENNING
SECRETARY OF STATE



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

Berry's Chapel Utility, Inc.
321 Billingsly Court
Suite 4
Franklin, TN 37065 USA

August 20, 2010

Control # 635712

Effective Date: 09/01/2010 12:00 AM

Document Receipt

Receipt #: 238062

Filing Fee: \$100.00

Payment-Check/MO - BRANSTETTER STRANCH & JENNINGS, PLLC, NASHVILLE,

\$100.00

ACKNOWLEDGMENT OF MERGER

**LYNWOOD UTILITY CORPORATION (Williamson County) (Qualified
Non-survivor)**

merged into Berry's Chapel Utility, Inc. (Williamson County) (Qualified Survivor)

This will acknowledge the filing of the attached Articles of Merger with an effective date as indicated above.

When corresponding with this office or submitting documents for filing, please refer to the control number given above.

You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee.

Tre Hargett, Secretary of State
Business Services Division

Processed By: Cynthia Dunn

**ACTION WITHOUT MEETING BY BOARD OF DIRECTORS OF LYNWOOD
UTILITY CORPORATION**

Pursuant to the provisions of the Tennessee Business Corporation Act, the Board of Directors of Lynwood Utility Corporation hereby resolves to approve and adopt the Agreement attached hereto on the date for the transfer of the responsibility of the NPDES Permit No. TN0029718 from Lynwood Utility Corporation to Berry's Chapel Utility, Inc.

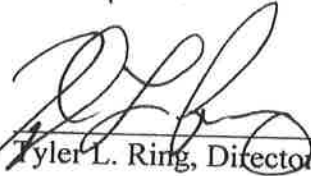
By:


John Ring, Director

Date:

July 21, 2010

By:


Tyler L. Ring, Director

Date:

July 21, 2010

COPY

AGREEMENT

This Agreement (the Agreement) entered into this ____ day of July, 2010 between Lynwood Utility Corporation and Berry's Chapel Utility, Inc.

WITNESSETH:

Whereas, Lynwood Utility Corporation (Lynwood) and Berry's Chapel Utility, Inc. (Berry's Chapel) have entered into an Agreement and Plan of Merger in which the parties have agreed to merge Lynwood into Berry's Chapel with Berry's Chapel being the surviving corporation;

Whereas, the effective date of the merger is September 1, 2010;

Whereas, effective September 1, 2010, Berry's Chapel will assume all of the assets and liabilities of Lynwood including Lynwood's NPDES Permit No. TN0029718; and

Whereas, because Lynwood is simply merging into Berry's Chapel, there will be no modifications to the permitted facility, its operations or any other changes which might affect the permit limits and conditions contained in the permit.

NOW THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt of which is hereby acknowledged, including the mutual covenants, terms, conditions and restrictions in this Agreement, the parties agree as follows.

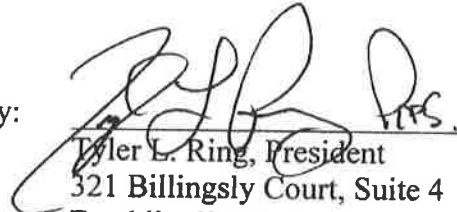
1. Lynwood Utility Corporation and Berry's Chapel Utility, Inc. agree that on September 1, 2010, Berry's Chapel Utility, Inc. will assume permit responsibility, coverage and liability for NPDES Permit No. TN0029718.

2. Lynwood Utility Corporation and Berry's Chapel Utility, Inc. agree that on September 1, 2010, Lynwood Utility Corporation will relinquish permit responsibility, coverage and liability for NPDES Permit No. TN0029718.

3. Lynwood Utility Corporation and Berry's Chapel Utility, Inc. agree that there will be no modifications to the permitted facility, its operations or any other changes which might affect the permit limits and conditions contained in NPDES Permit No. TN0029718.

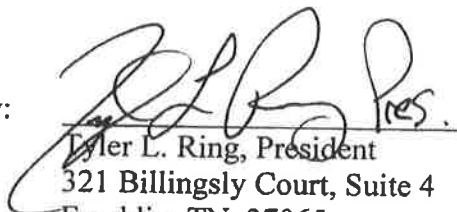
LYNWOOD UTILITY CORPORATION

By: _____


Tyler L. Ring, President
321 Billingsly Court, Suite 4
Franklin, TN 37065

BERRY'S CHAPEL UTILITY, INC.

By: _____


Tyler L. Ring, President
321 Billingsly Court, Suite 4
Franklin, TN 37065

**ARTICLES OF MERGER OF LYNWOOD UTILITY CORPORATION
INTO BERRY'S CHAPEL UTILITY, INC.**

Pursuant to the provisions of Section 48-21-107 of the Tennessee Business Corporation Act and Section 48-61-104 of the Tennessee Nonprofit Corporation Act, the undersigned domestic corporations hereby submit these Articles of Merger and state as follows:

1. The Plan of Merger is attached hereto and was approved by each of the herein named corporations in the manner prescribed by Section 48-21-104 of the Tennessee Business Corporation Act and Section 48-61-103 of the Tennessee Nonprofit Corporation Act.
2. As to Lynwood Utility Corporation, approval of the Plan by its shareholders is required by Section 48-21-101, *et seq.*, of the Tennessee Business Corporation Act, and the Plan was duly approved by the affirmative vote of all of the votes entitled to be cast, there being no voting by voting group.
3. As to Berry's Chapel Utility, Inc., which is the surviving corporation of the merger, the Plan was duly approved by a unanimous vote of its board of directors. Berry's Chapel Utility, Inc. has no members; therefore, no vote by the corporation's members was required.
4. These Articles of Merger shall not be effective upon filing by the Secretary of State, but the delayed effective date and time they are to become effective, and the merger is to take effect, is September 1, 2010, at 12:00 a.m.

Dated this 18th day of August, 2010.

LYNWOOD UTILITY CORPORATION

By: _____

Tyler L. Ring, President

BERRY'S CHAPEL UTILITY, INC.


By: _____

Tyler L. Ring, President

**ACTION WITHOUT MEETING BY BOARD OF DIRECTORS OF BERRY'S CHAPEL
UTILITY, INC.**

Pursuant to the provisions of the Tennessee Business Corporation Act, the Board of Directors of Berry's Chapel Utility, Inc. hereby resolves to approve and adopt the Agreement attached hereto on the date for the transfer of the responsibility of the NPDES Permit No. TN0029718 from Lynwood Utility Corporation to Berry's Chapel Utility, Inc.

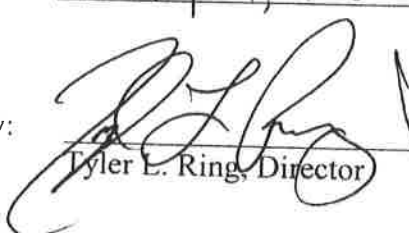
By:


John Ring, Director

Date:

July 21, 2010

By:


Tyler L. Ring, Director

Date:

July 21, 2010

**ACTION WITHOUT MEETING BY BOARD OF DIRECTORS OF LYNWOOD
UTILITY CORPORATION**

Pursuant to the provisions of the Tennessee Business Corporation Act, the Board of Directors of Lynwood Utility Corporation hereby resolve to approve and adopt the Agreement and Plan of Merger which is attached hereto merging Lynwood Utility Corporation into Berry Chapel Utility, Inc.

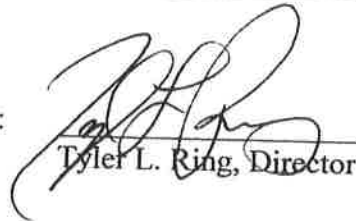
By:


John Ring, Director

Date:

8-18-2010

By:


Tyler L. Ring, Director

Date:

8-18-2010

SECURITY AGREEMENT

Debtor

BERRY'S CHAPEL UTILITY, INC.
321 Billingsly Court, Suite 4
Franklin, TN 37065

Secured Party

JOHN D. RING
P.O. Box 314
Franklin, TN 37065-0314

- Section 1. **Security Interest; Obligation Secured.** Debtor hereby grants to Secured Party a security interest in, and grants, bargains, sells, conveys, assigns and transfers, subject to the terms hereof, the property rights described in Section 2 (herein called "**Collateral**") to secure payment or other performance of all of Debtor's obligations and liabilities to Secured Party whether now existing or hereafter existing, including the indebtedness for a term loan evidenced by a Promissory Note of even date herewith in the principal amount of One Million Two Hundred Thousand and 00/100 Dollars (\$1,200,000.00) (herein called "**Indebtedness**"). Debtor shall have the right to the possession and use of Collateral in any lawful manner not inconsistent with this Agreement until default hereunder.
- Section 2. **Description of Collateral.** All of Debtor's assets as described in Exhibit "A" attached hereto and incorporated herein by reference as if copied verbatim.
- Section 3. **Authorization to File Financing Statements.** Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State of Tennessee or such other jurisdiction, or (ii) as being an equal or less scope or with greater detail and (b) contain any other information required by Part 5 of Article 9 of the Uniform Commercial Code of the State of Tennessee or the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether Debtor is an organization, the type of organization and any organization identification number issued to Debtor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, as sufficient description of real property to which the Collateral relates. Debtor agrees to furnish any such information to Secured Party promptly upon request. Debtor has rights in or the power to transfer the Collateral and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Agreement.

Section 4. Representations, Covenants and Warranties of Debtor.

- (a) Debtor will, at its cost and expense, execute, deliver, file or record (in such manner and form as Secured Party may require) financing statement(s) or other paper that may be necessary or desirable or that the Secured Party may request in order to create, reserve, perfect, validate or satisfy any security interest granted hereby or to enable Secured Party to exercise and enforce its rights hereunder. The right is expressly granted to Secured Party, in its discretion, to file one or more financing statements under the Uniform Commercial Code naming Debtor as Debtor and Secured Party as Secured Party and indicating therein the Collateral herein specified.
- (b) Debtor will (i) keep such books and records pertaining to the Collateral at such office or offices of Debtor as shall be satisfactory to Secured Party; (ii) permit representatives of Secured Party at any time to inspect and make abstracts from Debtor's books and records pertaining to the Collateral; and (iii) furnish to Secured Party such information and reports regarding the Collateral and Debtor's financial status as Secured Party may from time to time require.
- (c) Debtor will transmit to Secured Party promptly all information that it may have or receive which might in any way affect the value of the Collateral or Secured Party's rights or remedies with respect thereto.
- (d) Debtor will not sell, assign or create a security interest in or otherwise encumber any of the Collateral to or in favor of anyone other than Secured Party, except as set out herein.
- (e) Debtor will not use or permit the Collateral to be used for any unlawful purpose or in violation of any federal, state or municipal law, statute or ordinance.
- (f) Debtor will indemnify Secured Party against all claims arising out of or in connection with Debtor's ownership or use of the Collateral.
- (g) Debtor shall procure, keep in force, and pay for, insurance on said Collateral, in such amounts and forms, and against such risks, and with such insurers as may be acceptable to Secured Party and such policies evidencing said insurance shall be furnished to Secured Party. If Debtor fails to furnish said insurance or fails to pay the premiums therefor, Secured Party may do so or may obtain insurance of its interest only, adding the amount of any such premium thereof to the other amounts secured hereby, however, Secured Party is under no obligation nor duty to pay such premiums or perfect such insurance. Debtor hereby assigns to Secured Party any returned or unearned premiums which may be due upon cancellation of any of said policies for any reason whatsoever, and directs the insurers to pay Secured Party any amount so due, unless the Secured Party has been previously fully satisfied. In order to collect such returned or unearned premiums or the benefits of such insurance, the Secured Party or any of its officers, agents, or employees are hereby appointed

Debtor's attorney-in-fact to endorse any draft or check which may be payable to Debtor; any balance of insurance proceeds remaining after payment in full of all amounts owing to Secured Party shall be paid to Debtor. Such returned or unearned insurance premiums or the benefits of such insurance, may, at Secured Party's option, be used for other insurance or to repair, restore, or replace the Collateral, or may be applied to any indebtedness secured hereunder, and if the indebtedness is payable in installments, then the installments in inverse order, satisfying the final maturing installments first.

(h) Debtor will not permit any of the goods to be removed from the location specified herein, and Debtor will promptly notify Secured Party of any change of Debtor's residence, or in the location of the Collateral within the state, and Debtor will not remove the Collateral from the county of the Debtor's residence or from the county where the property is to be located as shown herein without the prior written consent of Secured Party, and will permit Secured Party to inspect the Collateral at any time.

(i) Debtor will not permit anything to be done that may impair the value of any of the goods or the security intended to be afforded by this Agreement.

(j) Debtor represents that the collateral described herein is unencumbered, free and clear of any liens.

Section 5. Expenses. Debtor will, upon demand, pay to Secured Party forthwith the amount of all expenses including the reasonable attorney's fees and legal expenses incurred by Secured Party in seeking to collect or enforce any rights in the Collateral and, upon any default by Debtor, in seeking to collect the Indebtedness.

Section 6. General Authority. Upon default on Debtor's part hereunder, Debtor hereby irrevocably appoints Secured Party as Debtor's true and lawful attorney-in-fact with full power of substitution, in Secured Party's name or Debtor's name or otherwise, for Secured Party's sole use and benefit, but at Debtor's cost and expense, to exercise at any time and from time to time all or any of the following rights with respect to all or any of the Collateral:

(a) To demand, sue for collection, receive and give acquittance for any and all monies due or to become due upon or by virtue thereof;

(b) To receive, take, endorse, assign and deliver any and all checks, notes, drafts, documents and other property taken or received by Secured Party in connection therewith;

(c) To settle, compromise, compound, prosecute or defend any action or proceeding with respect thereof;

(d) To sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof, as fully and effectually as if Secured Party were the absolute owner thereof; and

(e) To extend the time of payment and to make any allowance and other adjustments with reference thereto; provided, however, the exercise by Secured Party of or failure to so exercise any such authority shall in no manner affect Debtor's liability to Secured Party hereunder or in connection with the indebtedness, and provided further, that Secured Party shall be under no obligation or duty to exercise any of the powers hereby conferred upon it and it shall be without liability for any act or failure to act in connection with the collection of, or the preservation of any rights under, any of the Collateral. Secured Party shall not be bound to take any steps necessary to preserve rights in any instrument or lease against prior parties.

Section 7. Events of Default, Acceleration. Any or all of the Indebtedness shall, at the option of Secured Party become immediately due and payable without notice or demand upon the occurrence of any of the following events of default:

(a) Default in the payment or performance of any Indebtedness, obligation or covenant contained herein or in any note or loan agreement, or other document evidencing any of the Indebtedness secured hereby; or

(b) Loss, destruction, sale (other than in the ordinary course of business) or unauthorized encumbrance of any of the Collateral; or

(c) Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made or furnished; or

(d) Dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by or the commencement of any proceedings under any bankruptcy or insolvency law by or against the Debtor; or

(e) Permitting a judgment against Debtor to remain unsatisfied for more than thirty (30) days.

Section 8. Rights and Remedies on Default. Upon the occurrence of any such event of default, and at any time thereafter, Secured Party may exercise from time to time any rights and remedies available to it under applicable law. Any notice of intended disposition of any of the Collateral required by law shall be deemed reasonable if such notice is given at least five (5) days before the time of such disposition. Any proceeds of any disposition of the Collateral by Secured Party may be applied to the payment of expenses in connection with the Collateral, including reasonable attorney's fees and legal expenses, and any balance of such proceeds may be applied by Secured Party toward the payment of the Indebtedness in accordance herewith.

Section 9. General. Secured Party shall not be deemed to have waived any of Secured Party's rights hereunder or under any other agreement, instrument or paper signed by Debtor unless such waiver be in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. Any notice from Secured Party to Debtor, if mailed, shall be deemed given when mailed, postage prepaid, addressed to Debtor at Debtor's address shown above, or at any other address of Debtor appearing on Secured Party's records. The covenants, representations, warranties and agreements herein set forth shall be binding upon Debtor, its heirs and assigns. Unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code in the State of Tennessee shall have the meanings therein stated.

IN WITNESS WHEREOF, the parties have executed this Agreement at Franklin, Tennessee, as of the 1st day of September, 2010.

DEBTOR:

BERRY'S CHAPEL UTILITY, INC.

BY:


Tyler L. Ring, President

SECURED PARTY:


John D. Ring

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EXHIBIT "A"

(a) All of Debtor's machinery, tools, equipment, furniture, furnishings and fixtures, of every kind and nature, movable or immovable, wherever located and whether now owned or hereafter existing, and all parts thereof and replacements, additions and accessions thereto (any and all such property being hereinafter referred to as the "**Equipment**");

(b) All of Debtor's inventory in all of its forms, wherever located and whether now or hereafter existing, and all accessions thereto and products thereof, including raw materials, materials awaiting manufacture, work-in-process, finished products, materials used or consumed in Debtor's business, and all warehouse receipts, bills of lading and other documents of title evidencing or representing any part thereof (collectively hereinafter referred to as "**Inventory**");

(c) All of Debtor's accounts, accounts receivable, chattel paper, instruments and other obligations of any kind, whether or not evidenced by an instrument or chattel paper, and whether or not it has been earned by performance (collectively hereinafter referred to as "**Accounts Receivable**" or "**Receivables**") whether now or hereafter existing, arising out of or in connection with the sale or lease of goods or the rendering of services or otherwise, and all rights now or hereafter existing in and to all security agreements, leases and other contracts securing or otherwise relating to any such Accounts Receivable;

(d) All of Debtor's customer lists, ledger and account cards, computer tapes, discs and printouts, and books and records of Debtor; and any and all other properties and assets of Debtor of whatever nature, tangible or intangible, wherever located and whether now or hereafter existing;

(e) All of Debtor's contract rights and general intangibles ("**General Intangibles**") of every kind, character and description, both now owned and hereafter acquired, including, without limitation, goodwill, trademarks, trade styles, trade names, patents, patent applications, and deposit accounts;

(f) All proceeds ("**Proceeds**") of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), any indemnity, warranty, or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral, and including, without limitation, all monies due or to become due in connection with any of the Collateral, guaranties and security for the payment of such monies, the right of stoppage in transit, and all returned or repossessed goods arising from a sale or lease thereof (although proceeds are covered, Secured Party does not authorize the sale or other transfer of any of the Collateral or the transfer of any interest in the Collateral, except for the sale of goods in the ordinary course of Debtor's business);

In each case, whether now owned or hereafter acquired by the Debtor and howsoever Debtor's interest therein may arise or appear (whether by ownership, lease, security interest, claim, or otherwise).

SECURITY AGREEMENT

Debtor

BERRY'S CHAPEL UTILITY, INC.
321 Billingsly Court, Suite 4
Franklin, TN 37065

Secured Party

TYLER L. RING
P.O. Box 314
Franklin, TN 37065-0314

- Section 1. Security Interest; Obligation Secured.** Debtor hereby grants to Secured Party a security interest in, and grants, bargains, sells, conveys, assigns and transfers, subject to the terms hereof, the property rights described in Section 2 (herein called "**Collateral**") to secure payment or other performance of all of Debtor's obligations and liabilities to Secured Party whether now existing or hereafter existing, including the indebtedness for a term loan evidenced by a Promissory Note of even date herewith in the principal amount of One Million Two Hundred Thousand and 00/100 Dollars (\$1,200,000.00) (herein called "**Indebtedness**"). Debtor shall have the right to the possession and use of Collateral in any lawful manner not inconsistent with this Agreement until default hereunder.
- Section 2. Description of Collateral.** All of Debtor's assets as described in Exhibit "A" attached hereto and incorporated herein by reference as if copied verbatim.
- Section 3. Authorization to File Financing Statements.** Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State of Tennessee or such other jurisdiction, or (ii) as being an equal or less scope or with greater detail and (b) contain any other information required by Part 5 of Article 9 of the Uniform Commercial Code of the State of Tennessee or the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether Debtor is an organization, the type of organization and any organization identification number issued to Debtor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, as sufficient description of real property to which the Collateral relates. Debtor agrees to furnish any such information to Secured Party promptly upon request. Debtor has rights in or the power to transfer the Collateral and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Agreement.

Section 4. Representations, Covenants and Warranties of Debtor.

(a) Debtor will, at its cost and expense, execute, deliver, file or record (in such manner and form as Secured Party may require) financing statement(s) or other paper that may be necessary or desirable or that the Secured Party may request in order to create, reserve, perfect, validate or satisfy any security interest granted hereby or to enable Secured Party to exercise and enforce its rights hereunder. The right is expressly granted to Secured Party, in its discretion, to file one or more financing statements under the Uniform Commercial Code naming Debtor as Debtor and Secured Party as Secured Party and indicating therein the Collateral herein specified.

(b) Debtor will (i) keep such books and records pertaining to the Collateral at such office or offices of Debtor as shall be satisfactory to Secured Party; (ii) permit representatives of Secured Party at any time to inspect and make abstracts from Debtor's books and records pertaining to the Collateral; and (iii) furnish to Secured Party such information and reports regarding the Collateral and Debtor's financial status as Secured Party may from time to time require.

(c) Debtor will transmit to Secured Party promptly all information that it may have or receive which might in any way affect the value of the Collateral or Secured Party's rights or remedies with respect thereto.

(d) Debtor will not sell, assign or create a security interest in or otherwise encumber any of the Collateral to or in favor of anyone other than Secured Party, except as set out herein.

(e) Debtor will not use or permit the Collateral to be used for any unlawful purpose or in violation of any federal, state or municipal law, statute or ordinance.

(f) Debtor will indemnify Secured Party against all claims arising out of or in connection with Debtor's ownership or use of the Collateral.

(g) Debtor shall procure, keep in force, and pay for, insurance on said Collateral, in such amounts and forms, and against such risks, and with such insurers as may be acceptable to Secured Party and such policies evidencing said insurance shall be furnished to Secured Party. If Debtor fails to furnish said insurance or fails to pay the premiums therefor, Secured Party may do so or may obtain insurance of its interest only, adding the amount of any such premium thereof to the other amounts secured hereby, however, Secured Party is under no obligation nor duty to pay such premiums or perfect such insurance. Debtor hereby assigns to Secured Party any returned or unearned premiums which may be due upon cancellation of any of said policies for any reason whatsoever, and directs the insurers to pay Secured Party any amount so due, unless the Secured Party has been previously fully satisfied. In order to collect such returned or unearned premiums or the benefits of such insurance, the Secured Party or any of its officers, agents, or employees are hereby appointed

Debtor's attorney-in-fact to endorse any draft or check which may be payable to Debtor; any balance of insurance proceeds remaining after payment in full of all amounts owing to Secured Party shall be paid to Debtor. Such returned or unearned insurance premiums or the benefits of such insurance, may, at Secured Party's option, be used for other insurance or to repair, restore, or replace the Collateral, or may be applied to any indebtedness secured hereunder, and if the indebtedness is payable in installments, then the installments in inverse order, satisfying the final maturing installments first.

(h) Debtor will not permit any of the goods to be removed from the location specified herein, and Debtor will promptly notify Secured Party of any change of Debtor's residence, or in the location of the Collateral within the state, and Debtor will not remove the Collateral from the county of the Debtor's residence or from the county where the property is to be located as shown herein without the prior written consent of Secured Party, and will permit Secured Party to inspect the Collateral at any time.

(i) Debtor will not permit anything to be done that may impair the value of any of the goods or the security intended to be afforded by this Agreement.

(j) Debtor represents that the collateral described herein is unencumbered, free and clear of any liens.

Section 5. Expenses. Debtor will, upon demand, pay to Secured Party forthwith the amount of all expenses including the reasonable attorney's fees and legal expenses incurred by Secured Party in seeking to collect or enforce any rights in the Collateral and, upon any default by Debtor, in seeking to collect the Indebtedness.

Section 6. General Authority. Upon default on Debtor's part hereunder, Debtor hereby irrevocably appoints Secured Party as Debtor's true and lawful attorney-in-fact with full power of substitution, in Secured Party's name or Debtor's name or otherwise, for Secured Party's sole use and benefit, but at Debtor's cost and expense, to exercise at any time and from time to time all or any of the following rights with respect to all or any of the Collateral:

(a) To demand, sue for collection, receive and give acquittance for any and all monies due or to become due upon or by virtue thereof;

(b) To receive, take, endorse, assign and deliver any and all checks, notes, drafts, documents and other property taken or received by Secured Party in connection therewith;

(c) To settle, compromise, compound, prosecute or defend any action or proceeding with respect thereof;

(d) To sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof, as fully and effectually as if Secured Party were the absolute owner thereof; and

(e) To extend the time of payment and to make any allowance and other adjustments with reference thereto; provided, however, the exercise by Secured Party of or failure to so exercise any such authority shall in no manner affect Debtor's liability to Secured Party hereunder or in connection with the indebtedness, and provided further, that Secured Party shall be under no obligation or duty to exercise any of the powers hereby conferred upon it and it shall be without liability for any act or failure to act in connection with the collection of, or the preservation of any rights under, any of the Collateral. Secured Party shall not be bound to take any steps necessary to preserve rights in any instrument or lease against prior parties.

Section 7. Events of Default, Acceleration. Any or all of the Indebtedness shall, at the option of Secured Party become immediately due and payable without notice or demand upon the occurrence of any of the following events of default:

(a) Default in the payment or performance of any Indebtedness, obligation or covenant contained herein or in any note or loan agreement, or other document evidencing any of the Indebtedness secured hereby; or

(b) Loss, destruction, sale (other than in the ordinary course of business) or unauthorized encumbrance of any of the Collateral; or

(c) Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made or furnished; or

(d) Dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by or the commencement of any proceedings under any bankruptcy or insolvency law by or against the Debtor; or

(e) Permitting a judgment against Debtor to remain unsatisfied for more than thirty (30) days.

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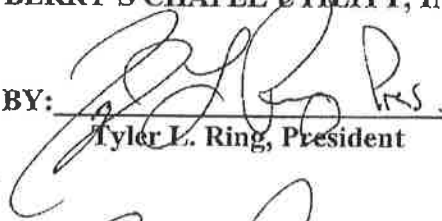
Section 9. General. Secured Party shall not be deemed to have waived any of Secured Party's rights hereunder or under any other agreement, instrument or paper signed by Debtor unless such waiver be in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. Any notice from Secured Party to Debtor, if mailed, shall be deemed given when mailed, postage prepaid, addressed to Debtor at Debtor's address shown above, or at any other address of Debtor appearing on Secured Party's records. The covenants, representations, warranties and agreements herein set forth shall be binding upon Debtor, its heirs and assigns. Unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code in the State of Tennessee shall have the meanings therein stated.

IN WITNESS WHEREOF, the parties have executed this Agreement at Franklin, Tennessee, as of the 1st day of September, 2010.

DEBTOR:

BERRY'S CHAPEL UTILITY, INC.

BY:


Tyler L. Ring, President

SECURED PARTY:


Tyler L. Ring

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EXHIBIT "A"

- (a) All of Debtor's machinery, tools, equipment, furniture, furnishings and fixtures, of every kind and nature, movable or immovable, wherever located and whether now owned or hereafter existing, and all parts thereof and replacements, additions and accessions thereto (any and all such property being hereinafter referred to as the "**Equipment**");
- (b) All of Debtor's inventory in all of its forms, wherever located and whether now or hereafter existing, and all accessions thereto and products thereof, including raw materials, materials awaiting manufacture, work-in-process, finished products, materials used or consumed in Debtor's business, and all warehouse receipts, bills of lading and other documents of title evidencing or representing any part thereof (collectively hereinafter referred to as "**Inventory**");
- (c) All of Debtor's accounts, accounts receivable, chattel paper, instruments and other obligations of any kind, whether or not evidenced by an instrument or chattel paper, and whether or not it has been earned by performance (collectively hereinafter referred to as "**Accounts Receivable**" or "**Receivables**") whether now or hereafter existing, arising out of or in connection with the sale or lease of goods or the rendering of services or otherwise, and all rights now or hereafter existing in and to all security agreements, leases and other contracts securing or otherwise relating to any such Accounts Receivable;
- (d) All of Debtor's customer lists, ledger and account cards, computer tapes, discs and printouts, and books and records of Debtor; and any and all other properties and assets of Debtor of whatever nature, tangible or intangible, wherever located and whether now or hereafter existing;
- (e) All of Debtor's contract rights and general intangibles ("**General Intangibles**") of every kind, character and description, both now owned and hereafter acquired, including, without limitation, goodwill, trademarks, trade styles, trade names, patents, patent applications, and deposit accounts;
- (f) All proceeds ("**Proceeds**") of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), any indemnity, warranty, or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral, and including, without limitation, all monies due or to become due in connection with any of the Collateral, guaranties and security for the payment of such monies, the right of stoppage in transit, and all returned or repossessed goods arising from a sale or lease thereof (although proceeds are covered, Secured Party does not authorize the sale or other transfer of any of the Collateral or the transfer of any interest in the Collateral, except for the sale of goods in the ordinary course of Debtor's business);

In each case, whether now owned or hereafter acquired by the Debtor and howsoever Debtor's interest therein may arise or appear (whether by ownership, lease, security interest, claim, or otherwise).