

**SECOND AMENDED AND RESTATED BY-LAWS**  
**OF**  
**CREEDMOOR-MAHA WATER SUPPLY CORPORATION**

Be it hereby resolved and approved by a majority vote of the Board of Directors of the Creedmoor-Maha Water Supply Corporation that these By-Laws of the Corporation are hereby amended and restated upon the date of adoption.

ARTICLE 1 - NAME

The name of the Corporation is Creedmoor-Maha Water Supply Corporation.

ARTICLE 2 - NONPROFIT CORPORATION

The Corporation is a non-profit, member-owned, member-controlled water supply and sewer service corporation incorporated under the provisions and definitions of TEX. REV. CIV. STAT. ANN. art. 1434a (now Chapter 67 of the Texas Water Code).

ARTICLE 3 - PURPOSES

The purpose of the Corporation shall be:

1. to be a "member-owned, member-controlled" water supply corporation, owned by its member-customers and managed by a board of directors which shall have the sole original power to establish the rates, terms, and conditions under which the Corporation will provide retail public utility service to a state-certificated service area; and
2. to be a cooperative public utility association exempt from federal income taxes under Internal Revenue Code, Section 501(c)(12)(A); and
3. to be a water supply and sewer service corporation exempt from state ad valorem taxes under Texas Tax Code, Section 11.30.
4. to purchase, own, hold, lease, and otherwise acquire a source of water supply; to build, operate and maintain facilities for transportation of water; to sell water to any/all members, towns, cities, private business entities, individuals, and military camps and bases, and for the purpose of providing a flood control and drainage system for towns, cities, counties, other political subdivisions, private business

entities; and individuals.

5. to purchase, own, hold lease, and otherwise acquire a source of wastewater treatment and disposal; to build operate, and maintain facilities for the collection, transportation, treatment and disposal of water borne waste; to sell wastewater collection and/or treatment services to any/all members, towns, cities, private business entities, individuals, and military camps and bases; and
6. to establish, operate, and maintain fire-fighting facilities to perform all fire-fighting activities within the Corporation's state certificated service area; and
7. to protect, preserve, and restore the purity and sanitary condition of water within the Corporation's state certificated service area; and
8. to engage in any/all activities in which a water supply corporation may engage under the laws of the State of Texas and of the United States.

#### PERMANENT BY-LAWS TO ACCOMPLISH PURPOSES:

In order that the Corporation may attain and achieve these stated purposes for the mutual benefit of all its member/customers, notwithstanding any provision in the Corporation's by-laws to the contrary, the following provisions shall be permanent, superseding and controlling by-laws of the Corporation and shall not be subject to modification or revocation so long as the same may required under state or federal law to accomplish these purposes:

1. All members of the Corporation must meet the requirements and standards of the definition of "member" in Chapter 13 of the Texas Water Code and the corresponding administrative rules of the Texas Natural Resource Conservation Commission and its successor agency(ies), as the same may be amended.

2. All customers must hold memberships in the Corporation for each service connection unless otherwise prohibited by law from holding membership, i.e., builders or developers holding property for resale, or if they are wholesale customers purchasing potable water for resale to the public on a temporary or permanent basis.

3. Each member shall be entitled to only one (1) vote in corporate matters specified by the Corporation's article and by-laws regardless of the number of memberships owned by that member. This shall not prohibit a member from voting the properly executed voting proxy of another member as may be provided by these by-laws.

4. The directors and officers of the corporation must always be members.

## ARTICLE 4 - POWERS

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

## ARTICLE 5 - RESTRICTIONS AND REQUIREMENTS

### 1. DIVIDENDS

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

### 2. TRANSFER OF ASSETS UPON DISSOLUTION

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

instruments and documents necessary to effectuate such transfers in order to preserve the Corporation's statutory rights to exemption from income and ad valorem taxation.

### 3. LIMITATION ON ACTIVITIES

The Corporation shall have no power to engage in activities or use its assets in a manner that are not in furtherance of the legitimate business of a water supply cooperative or sewer service cooperative as recognized by Texas Water Code, Chapter 67 and Internal Revenue Code 501(c)(12)(A).

## ARTICLE 6 - OFFICES

### 1. REGISTERED OFFICE AND AGENT

The registered office of the Corporation shall be maintained at 12100 Laws Road, Buda, Travis County, Texas 78610. The registered agent shall be George Patterson. The registered office or the registered agent, or both, may be changed by resolution of the board of directors, upon filing the statement required by law.

### 2. PRINCIPAL OFFICE

The principal office of the Corporation shall be at 12100 Laws Road, Buda, Texas 78610, provided that the board of directors shall have the power to change the location of the principal office in its discretion.

### 3. OTHER OFFICES

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

## ARTICLE 7 - MEMBERS

### 1. PLACE OF MEETING

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

## 2. ANNUAL MEETING

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

The annual meeting of members may be held for any other purpose in addition to the election of directors that may be specified in a notice of such meeting. The meeting may be called by resolution of the board of directors or by a writing filed with the secretary signed either by a majority of the directors or by members owning a majority of memberships in the Corporation and entitled to vote at any such meeting.

The board shall adopt written procedures for conducting an annual or special meeting of the members in accordance with Chapter 67 of the Texas water Code, which procedures shall include the following: (1) notification to eligible members of the proposed agenda, location, and date of the meeting; (2) director election procedures, including candidate application procedures; (3) approval of the ballot form to be used; and (4) validation of eligible voters, ballots, and election results.

The board shall adopt an official ballot form to be used in conducting the business of the corporation at any annual or special meeting. No other ballot form will be valid.

The board shall select an independent election auditor not later than the 30<sup>th</sup> day before the scheduled date of the annual meeting. The independent election auditor may not be associated with the corporation as: (1) an employee; (2) a director or candidate for director; or (3) an independent contractor engaged by the corporation as part of the corporation's regular course of business.

## 3. NOTICE OF MEMBERS' MEETING

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

## 4. MEMBERSHIPS AND VOTING OF MEMBERSHIPS

The Corporation shall have one class of "members", which shall be defined by Texas Water Code, Section 13.002(11), as it may be amended or interpreted by authorized court or state agency decision. Membership shall not be denied because of race, color, creed, citizenship, national origin, sex or any other legally protected status.

All customers of the Corporation must hold a membership or, if they are not fee simple landowners in the area served, must receive service through a membership held by the fee simple landowner of the property at which the customer seeks to obtain service. This membership requirement shall not apply to a person or entity that holds an interest in property solely as security for the performance of an obligation or that only builds on or develops the property for sale to others or other persons exempt from membership by statute or authorized court or state agency decision.

Except for the exercise of duly authorized proxies of other members as provided herein, each member shall be entitled to only one vote on each matter submitted to a vote at a meeting of members regardless of the number of memberships held by that member.

A member may vote either in person or by proxy executed in writing by the member or by his duly authorized attorney in-fact. No proxy shall be valid after three (3) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and in no event shall it remain irrevocable for a period of more than three (3) months.

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

## 5. CLOSING TRANSFER BOOKS AND FIXING RECORD DATE

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

members entitled to vote at any meeting of members had been made as provided in this section, such determination shall apply to any adjournment thereof, except where the determination has been made through the closing of membership transfer books and the stated period of closing has expired.

## 6. QUORUM OF MEMBERS

Unless otherwise provided in the articles of incorporation, the holders of memberships entitled to vote attending in person or represented by proxy shall constitute a quorum at a meeting of members. The vote of the holders of a majority of the memberships thus attending or represented at a meeting shall be the act of the members' meeting, unless the vote of a greater number is required by law, the articles of incorporation or the by-laws.

## 7. VOTING LISTS

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

# ARTICLE 8 - DIRECTORS

## 1. BOARD OF DIRECTORS

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

## 2. NUMBER AND ELECTION OF DIRECTORS

The number of directors shall be nine (9) provided that the number may be increased or decreased from time to time by an amendment to these by-laws, but no decrease shall have the effect of shortening the term of any incumbent director. The number of directors may never exceed twenty-one (21). The directors shall be divided into three (3) groups with

as equal numbers of directors in each as possible. Each group shall hold terms of three (3) years; however the initial directors shall hold irregular terms so that one group of directors shall be elected at each annual meeting of the members. The terms of the initial groups of directors shall be chosen by lot at the first membership meeting. Unless otherwise removed by death, resignation or by vote of the other directors, each director shall continue to serve until replaced by a successor duly elected as provided herein.

To be listed on the ballot as a candidate for a director's position, a person must file an application with the corporation that includes: (1) the director's position sought, including any position number or other distinguishing number; (2) a petition signed by 20 members requesting that the person's name be placed on the ballot as a candidate for that position; (3) the person's written consent to serve, if elected; (4) biographical information about the person; and (5) a statement of the person's qualifications, including a statement that the person has the qualifications prescribed by Chapter 67 of the Texas Water Code. The application must be filed with the Corporation not later than the 45<sup>th</sup> day before the date of the annual meeting. The Corporation shall notify the members of the application deadline not later than the 30<sup>th</sup> day before the deadline. The Corporation shall make available director candidate application forms at the Corporation's main office and shall provide application forms by mail or electronically on request.

Not later than the 30<sup>th</sup> day before the date of an annual meeting, the Corporation shall mail to each member of record: (1) written notice of the meeting; (2) the election ballot; and (3) a statement of each candidate's qualifications, including biographical information as provided in each candidate's application. The election ballot must include: (1) the number of directors to be elected; and (2) the names of the candidates for each position.

A member may vote in an election of directors: (1) in person at the annual meeting; (2) by mailing a completed ballot to the office of the independent election auditor or the Corporation's main office, which ballot must be received by the Corporation not later than noon on the business day before the date of the annual meeting; or (3) by delivering a completed ballot to the office of the independent election auditor or the Corporation's main office not later than noon on the business day before the date of the annual meeting. The independent election auditor shall receive and count the ballots before the annual meeting is adjourned. For each director's position, the candidate who receives the highest number of votes is elected. If two or more candidates for the same position tie for the highest number of votes for that position, those candidates shall draw lots to determine who is elected. The independent election auditor shall provide the board with a written report of the election results.

### 3. VACANCIES

A director may resign at any time during his term. A director may be removed majority vote of the members. If a director is absent from three (3) or more consecutive regular meetings of which the director was sent mailed written notice, that director may be removed by two-thirds (2/3rds) vote of all other directors in special meeting. The director subject to



removal for absenteeism must be sent written notice of the time, date, place, and purpose of such meeting by certified United States mail at least ten (10) days before the meeting.

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

#### 4. QUORUM OF DIRECTORS

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

#### 5. ANNUAL MEETING OF THE DIRECTORS

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

#### 6. REGULAR MEETING OF DIRECTORS

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

#### 7. SPECIAL MEETINGS OF DIRECTORS

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

#### 8. PLACE OF DIRECTORS' MEETINGS

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

## 9. NOTICE OF DIRECTORS' MEETINGS

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

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

## 10. ATTENDANCE AT MEETINGS

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

## 11. COMPENSATION

The Corporation shall not pay salaries to any director; however, if approved by the board of directors, directors shall be reimbursed for expenses incurred on behalf of the Corporation. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor as approved by the board of directors.

## 12. CONFLICT OF INTEREST

The board of directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interests of the membership. A director shall not be prohibited from providing goods or services to the Corporation at competitive prices by reason of his/her directorship, but said director shall not be authorized to vote on any matter in which they may have a pecuniary interest except as a customer of the Corporation. A director has an affirmative duty to exercise reasonable due diligence to investigate and disclose any real or apparent conflicts of interests or pecuniary interests (s)he may have on a matter affecting the Corporation or its members.

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

### 13. GOOD FAITH RELIANCE

In conducting their duties as members of the board, each director: (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports or statements, including financial statements and other financial data, concerning the Corporation of the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith and with ordinary care on information, opinions, reports or statements by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said director reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, a director must disclose any knowledge which (s)he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

## ARTICLE 9 - OFFICERS

## 1. OFFICERS ELECTION

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

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

## 2. VACANCIES

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

## 3. POWER OF OFFICERS

Each officer shall have, subject to these by-laws and Texas Water Code, Chapter 67, in addition to the duties and powers specifically set forth herein, such powers and duties as are commonly incident to his office and such duties and powers as the board of directors shall from time to time designate. All officers shall perform their duties subject to the directions and under the supervision of the board of directors. The president may secure the fidelity of all officers by bond or otherwise.

## 4. PRESIDENT

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

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

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

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

#### 5. VICE-PRESIDENT

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

#### 6. THE SECRETARY-TREASURER AND ASSISTANT SECRETARIES-TREASURER

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

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

The secretary-treasurer shall disburse the funds of the Corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements. The secretary-treasurer shall keep and maintain the Corporation's books of account and shall render to the president and directors an account of all transactions as treasurer and of the financial condition of the Corporation, and exhibit the books, records and accounts to the

president or directors at any time. The secretary-treasurer shall disburse funds for capital expenditures as authorized by the board of directors and in accordance with the orders of the president, and present to the president any requests for disbursing funds if in the judgment of the secretary-treasurer any such request is not properly authorized. The secretary-treasurer shall perform such other duties as may be directed by the board of directors or by the president.

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

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

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

## 7. GENERAL MANAGER

The Corporation shall not be required to have a general manager; however, the business of the Corporation may be handled under the direction of the board of directors, by a general manager to be elected by a majority vote of the board. The general manager shall be employed at a salary to be fixed by the board of directors. The general manager shall (1) devote all working time and attention to the affairs of the Corporation and be responsible to the board of directors for the efficient administration of its affairs; (2) with the advice of the board of directors, have the power to appoint or remove all subordinate employees; (3) attend all meetings of the board of directors with the right to take part in the discussion, but having no vote; (4) act as budget officer, and prepare and submit to the board of directors, prior to the beginning of each fiscal year, a budget of proposed expenditures for the ensuing year, showing in as much detail as practicable the estimated amounts required for the efficient operation of the Corporation and the reasons for such estimated expenditures; (5) act as purchasing agent for the Corporation and purchase all merchandise, material and supplies needed by the Corporation; and (6) do and perform such other duties as may be prescribed by resolution of the board of directors. The general manager shall not have authority to expend the funds of the Corporation in excess of \$5,000.00 per expenditure without prior approval of the board of directors.

## 8. COMPENSATION

The Corporation shall not pay salaries to any officer; however, if approved by the board of directors, officers shall be reimbursed for expenses incurred on behalf of the Corporation. Nothing herein contained shall be construed to preclude any officer from serving the Corporation in any other capacity and receiving compensation therefor as approved by the board of directors.

#### 9. CONFLICT OF INTEREST

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

#### 10. GOOD FAITH RELIANCE

In conducting their duties as officers, each officer (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports or statements, including financial statements and other financial data, concerning the Corporation of the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith and with ordinary care on information, opinions, reports or statements by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said officer reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, an officer must disclose any knowledge which (s)he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

### ARTICLE 10 - CERTIFICATES OF MEMBERSHIP, ETC.

#### 1. CERTIFICATES OF MEMBERSHIP

The certificates for memberships of membership of the Corporation shall be

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

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

## 2. TERMINATION OF MEMBERSHIPS

Membership in the Corporation shall be tied to fee simple ownership to property with the Corporation's utility service area; however, a fee simple owner of real property within the utility service area may hold a membership so that tenants or occupants of his property may receive utility service from the Corporation. The membership rights of any subscriber to utility service from the Corporation shall automatically terminate upon the occurrence of any event or change of circumstances which would disqualify the person from membership as provided by these by-laws, including but not limited to, the sale of the membership real property to which his membership is tied. The Board of Directors, by affirmative vote of a majority of all directors, may suspend or expel any member who is, or whose tenant or other occupier of the member's fee simple real property is, in default of the payment of scheduled rates and charges for a period of sixty (60) days after the same become lawfully due and payable or who violates the prescribed terms and conditions of service applicable to all customers for so long as such violations occur.

## 3. TRANSFER OF MEMBERSHIP

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

- (1) by will to a transferee that is a person related to the testator within the second degree of consanguinity;
- (2) by transfer without compensation to a transferee who is a person related to the owner of the membership within the second degree of consanguinity; or
- (3) by transfer without compensation or by sale to the Corporation.

(b) Subsection (a) of this section does not apply to a person or entity that transfers the membership to another person as part of the conveyance of real estate from which the



membership arose. In such cases the transferee must still qualify for membership as provided herein and pay all applicable membership fees.

(c) The transfer of membership under this section does not entitle the transferee to water or sewer service unless each condition for water or sewer service is met as provided in the Corporation's published rates, charges, and conditions of service.

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

#### 4. REGISTERED MEMBERS

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

#### 5. LOST CERTIFICATE

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

#### 6. MEMBERSHIP FEES

The Board of Directors shall establish a membership fee that must be paid by all service applicants requesting service from the Corporation. In determining the amount of the membership fee, the Board shall insure that the fee is sufficient to establish the potential member as being legitimately interesting in securing water, wastewater or other allowable service from the Corporation for the potential member's own needs. In no event shall the

membership fee exceed an amount equal to the sum of twelve (12) months charges of the Corporation's minimum rates for water or sewer service to the potential member's customer class. A membership fee and service application shall be required for each service connection requested regardless of whether the applicant already holds a membership. Membership fees will be refundable at the time the service customer leaves the system unless the customer has any unpaid debts or obligations to the Corporation. All applicants for restored service whose memberships have been forfeited to the Corporation shall pay a membership fee in addition to any applicable reconnection charges. All transferees of memberships as provided by these by-laws shall pay a membership fee.

#### ARTICLE 11 - DEPOSITORY

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

#### ARTICLE 12 – ASSESSMENTS

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

#### ARTICLE 13 - MISCELLANEOUS

1. INFORMAL ACTION

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

2. SEAL

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

3. BOOKS AND RECORDS

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

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

In case of any conflict between the provision of the Open Records Act and the provisions of these by-laws, the provisions of the Open Records Act shall prevail.

4. CHECKS

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

5. FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of November in each year.

## 6. DIRECTORS' ANNUAL STATEMENT

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

## 8. AMENDMENTS

These by-laws may be altered, amended or repealed in whole or in part by the affirmative vote of a majority of the board of directors.

If and for so long as the Corporation is indebted for a loan or loans made by or through the Texas Water Development Board, these by-laws shall not be altered, amended or repealed without the prior written consent of the Texas Water Development Board. If and for so long as the Corporation is indebted for a loan or loans made by or through an agency of the United States, these by-laws shall not be altered, amended or repealed without the prior written consent of such agency.

## 9. OBLIGATIONS INCIDENTAL TO INDEBTEDNESS

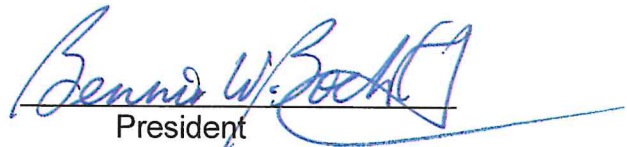
The board of directors may establish and operate such financial reserves, sinking funds, or debt service accounts as may be reasonably necessary to comply with loan or bond covenants entered into between the Corporation and its creditors.

Subject to such restrictions as may exist under the laws of Texas or of the United States, the board of directors may encumber the assets of the Corporation by reasonable liens or security interests as provided by the loan or bond covenants entered into between the Corporation and its creditors. When encumbered, the assets of the Corporation may

not be sold, conveyed or disposed of without notice to and permission from the creditor holding such liens or security interests as provided in the loan or bond covenants, except as may otherwise be provided by law and/or the sale and distribution of potable water in the ordinary course of business.

Should the Corporation become indebted to the Texas Water Development Board and such indebtedness is evidenced by bonds, the board of directors shall be expressly empowered to adopt such standard and customary water supply or sewer service corporation bond resolutions as may be required by the Texas Water Development Board as a condition of such indebtedness. Should the Corporation become indebted to an agency of the United States and such indebtedness is evidenced by bonds, the board of directors shall be expressly empowered to adopt such standard and customary water supply or sewer service corporation bond resolutions as may be required by such agency as a condition of such indebtedness.

Adopted by unanimous vote in publicly noticed meeting of the Board of Directors on the 16th day of May, 2018, subject to approval by any state or federal agency as a condition of indebtedness.

  
President

Attested:

  
Secretary