

By-Laws

Little Hope Moore WSC

By-Laws of **Little Hope/Moore Water Supply Corporation** having been presented to the membership of said Corporation and duly adopted are as follows:

Article I

The President shall preside at all members and directors' meetings. He may, and upon demand of one-third (1/3) of the members, shall call a special meeting of the members or directors, and he may, and shall, upon demand of one-third (1/3) of the directors, call a special meeting of the directors or membership. Such special meetings shall be held upon giving the notice required in Article X of these By-Laws. He shall perform all other duties that usually pertain to the office or are delegated to him by the Board of Directors.

Article II

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

Article III

The Secretary-Treasurer shall have the custody of all the monies and securities of the Corporation. He shall keep regular books and shall keep minutes of all meetings of members and directors and shall be assisted by all office personnel. All monies of the Corporation shall be deposited by office personnel as supervised by the Secretary-Treasurer in such depository as shall be selected by the directors. Checks must be signed by two (2) members of the Board of Directors. The seal of the Corporation shall be kept in the corporate office. Upon instruction by the Secretary-Treasurer, office personnel may affix the seal to official corporate documents. The Secretary-Treasurer and all employees handling the Corporation's monies shall be bonded.

Article IV

The Board of Directors shall consist of Five (5) directors, a majority of whom shall constitute quorum. Upon issuance of the Chapter and annually thereafter at its annual meeting, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer. The directors shall be elected by the members at the members regular meeting provided for in Article XI of these By-Laws. The directors shall be divided into three classes, each class to be as near as equal in number as possible, the terms of the directors of the first class to expire at the first annual meeting of the shareholders after their election, the terms of the directors of the second class to expire at the second annual meeting after their election and the term on the directors of the third class to expire at the third annual meeting after their election. At each annual meeting after such classification, the number of directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. The directors shall serve without pay, but may be compensated for actual expenses by majority vote of directors. Upon the death or resignation of a director, a successor shall be elected by majority of the directors remaining to serve out the remaining portion of the term thus vacated.

Article V

Regular meetings of the Board of Directors shall be held at such time and place as the Board may determine at the next previous regular meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act, Article 6252-17, Tex. Rev. Civ. Stat., by furnishing the notice by posting such notice in a place readily convenient to the public, in its administrative office and on the Corporation's website, at all times for 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. If any director fails to attend three consecutive regular meetings of the Board, he/she shall be considered to have resigned; and a successor will be selected in accordance with Article IV of these By-Laws, except in cases where the Board has approved the absence.

Article VI

Membership in the Corporation shall be sold pursuant to policies and regulations as set from time to time by the Board of Directors. Each holder of a membership in the Corporation shall be registered, which shall entitle him to one connection to the water main of the Corporation and to one vote in the conduct of the affairs of the Corporation. A member shall vote either in person or by proxy executed in writing by the member or his duly authorized attorney-in-fact. The member may own more than one membership, but each member will be entitled to only one vote.

Article VII

For the purpose of determining memberships entitled to notice of or to vote at any meeting of members of any adjournment thereof or in order to make a determination of members for any other proper purpose, ownership of memberships shall be deemed to be in those persons who are the record owners of memberships as evidenced by the membership transfer book on the 15th day of the month next preceding the month of the date upon which the action requiring such determination is to be taken.

Article VIII

In order to ensure that the business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the members of the Corporation, membership in the Corporation shall be transferred from the original members, their transferees, pledges, administrators or executors, or purchasers at judicial sale, to other persons, only after approval by the directors of the person proposing to buy said membership. Membership in the Corporation shall be deemed personal estate, and shall be transferable only upon surrender of the membership endorsed by the record owner to the transferee and after all indebtedness due the Corporation has been paid by the transferor member.

Article IX

There shall be a regular meeting of the members annually, as soon as the annual audit is completed, to transact all business that may be properly brought before it. The auditor, or member of his staff, shall be present when the annual audit is presented to the members. This meeting shall be scheduled the last Tuesday of February. The office personnel, as directed by the Secretary-Treasurer shall give at least fifteen (15) days written notice of such annual meeting to the membership indicating the time, place and purpose of such meeting, and addressed and mailed to each member at his address last known to the Corporation. At all meetings of the members a majority of the members, present in person or represented by proxy, shall constitute a quorum to transact the business of the Corporation. No one member may vote on more than two proxies, or a total of three votes, including his own. If a quorum is not present at the called annual meeting, members then shall be allowed to vote to continue the meeting without a quorum, and to conduct all necessary business.

Article X

Special meetings of the Directors may be held upon the posting of notice of such special meeting, in the manner provided under Article V of these By-Laws, at least two (2) hours before the meetings convened. It shall be the responsibility of the President or his designee to ensure that proper notice is posted. In no event shall a special meeting of the Directors be convened where the business of such meeting could be considered at a regular meeting of the Directors, receiving at least seventy-two (72) hours notice as provided under Article V of these By-Laws.

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary-Treasurer give at least ten (10) days prior notice to the Members, and that such special

meeting is otherwise noticed as provided under Article V in these By-Laws. Such notice shall specify the time, place and purpose of the meeting, and shall be addressed and mailed to each of the members at their address last known to the Corporation.

Article XI

Directors as such shall not receive any stated salaries for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board. The Corporation is a nonprofit Corporation and no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers.

Article XII

All members will be billed for water charges according to the rules and regulations and set from time to time by the Board of Directors. In the event that a member should notify the Corporation to discontinue his water service, his obligation to pay the minimum monthly charges shall continue until he sells his membership to a purchaser who has been approved by the Corporation in the manner provided in Article VIII of these By-Laws.

Article XIII

The Board of Directors shall have the authority to sell the membership of any member in the event of non-payment of any water charges or other indebtedness owing by said member within thirty (30) days after demand for payment by mail, properly addressed to such delinquent member at the address of the member, last known to the Corporation. The proceeds of any sale of membership over and above the amount due to the Corporation shall be paid to the delinquent member. In lieu of such sale of membership, the Board of Directors may purchase the membership on behalf of the Corporation at a price determined by the Board to be fair value of the membership, provided that in the event of a sale of a membership or the purchase thereof by the Corporation the proceeds of such sale shall first be applied to the payment of any indebtedness due the Corporation by the delinquent member. Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation remaining after payment of the indebtedness of the Corporation shall be distributed among the members and former members in direct proportion to the amount of their patronage with the Corporation insofar as practical. Any indebtedness due the Corporation by a member for water service or otherwise shall be deducted from such member's share prior to final discontinuance of the Corporation by dissolution, or otherwise, the assets of the Corporation transferred to that member shall be, in turn, immediately transferred by the individual member, to an entity that provides a water supply or wastewater service, or both, that is exempt from ad valorem taxation.

Article XIV

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

Article XV

If at the end of any fiscal year the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each member of the Corporation so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all cost of operation, maintenance, replacement and repayments on indebtedness, or other expenses, for the years operations. A proportionate amount of the necessary total of such assessments levied in any year shall be levied against each member in an amount which bears the same relation to the total assessment as the number of service connections supplying such member bear to the total number of service connections with the system of the Corporation.

Article XVI

The books and accounts of the Corporation shall be audited by a person competent to perform such audit at least once each year. The reports prepared by such auditor shall be submitted to the members at the annual meeting of such members.

With Prior written request, corporate records, books and annual reports, subject to exceptions provided by the Open Records Act, Article 6252-13a, Tex. Rev. Cit. Stat., including any amendments thereto, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.

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

Article XVII

These By-Laws may be altered, amended, or repealed by vote of a majority of the members present at any regular meeting of the Corporation, or at any special meeting of the Corporation called for that purpose, except that the members shall not have the power to change the purposes of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the Corporation or its members, or to deprive any member of rights and privileges then existing, or so to amend the By-Laws as to effect a fundamental to be made at a special meeting of the members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered, For so long as the Corporation is indebted for a loan or loans made to it by the Texas Water Development Board, or its successor agencies and assigns, these By-Laws shall not be altered, amended, or repealed without prior written consent of the Texas Water Development Board Fund Manager.

Article XVIII

No person serving as elected County Official or Real Estate Developer, in the jurisdiction of the Corporation, or family of either, shall be allowed to serve as Director of the Corporation.

Article XIX

The seal of the Corporation shall consist of a circle within which shall be inscribed "**Little Hope/Moore Water Supply Corporation**".