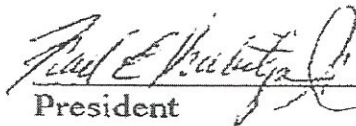


# BY-LAWS

## EOL WATER SUPPLY CORPORATION

Adopted in accordance with Sections 67.0051-.0054 and 67.007 of the Texas  
Water Code by the Board of Directors, this 1st day of May, 2012.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Secretary-Treasurer

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The following by-laws having been presented to the Board of Directors of said Corporation and duly adopted as follows:

#### ARTICLE I

The President shall preside at all members and directors meetings. The President may, and upon demand of one-third of the members, shall call a special meeting of the members or directors, and the President may, and shall, upon demand of one-third of such directors, call a special meeting of the directors or membership. Such special meeting shall be held upon giving the notice required in Article XII of the 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. All monies of the Corporation shall be deposited by him in such depository as shall be selected by Directors. Checks must be signed by him and the President or Vice-President, in the absence of the President. He shall have custody of the seal of the Corporation and affix it as directed hereby or resolution passed by the Board of Directors or members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties.

The position of the Secretary-Treasurer and other positions entrusted with the receipt and disbursement of funds shall be placed under a fidelity bond in an amount which shall be set from time to time by the Board of Directors. It must be at least equal to the maximum amount of monies on hand at any one time, but shall not be less than \$1,000.00.

#### ARTICLE IV

The Board of Directors shall consist of five members, a majority of whom shall constitute a quorum. The Board shall be elected by the members at the members regular meeting provided for in Article XI of these by-laws, and the directors so elected shall serve for a term of three years with staggered terms so that each year the term of three directors are elected. The Board of Directors shall annually at a meeting to be held prior to May 1, and after the members annual meeting, elect a President, a Vice-President and a Secretary-Treasurer.

The Directors shall serve without pay, but may be compensated for actual expenses by a majority vote of the directors. Upon the death or resignation of a member of the Board of

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Director a successor shall be elected by a majority vote 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. No further notice to the directors of such regular meetings shall be required, and it shall be the duty of each director to attend the same without further notice.

#### ARTICLE VI

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the memberships of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with such Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid.

#### ARTICLE VII

The directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, or any other financial institution, in a bank within the State of Texas, insured with the Federal Deposit Insurance Corporation, a reserve account separate and apart from other fund accounts of the Corporation. There shall be deposited in such fund the sum as required by a total of all loan resolutions executed by the Corporation each month from the revenues of the Corporation. Such deposits will continue until the total amount deposited equals the sum as required by the executed loan resolutions provided however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

Withdrawals from this fund shall be made only for emergency repairs, obsolescence of equipment, making extensions, improvements to facility, and for making up any deficiencies in revenues for loan payments. One of the objectives of the reserve fund is to assure, during the periods of non-water deliveries or water shortages, the availability of funds equal to the difference between collections from the sale of water and collections that would have been made had the members been able to purchase the quantity of water used normally.

The directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited in bonds or other evidence of indebtedness to the United States of America, or they shall deposit said sums at interest in a savings account, in a bank insured with FDIC. Securities so purchased shall be deemed at all times to a part of the reserve fund account.

#### ARTICLE VIII

Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served or which may reasonably be served by the



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Corporation shall have the right to become a member of the Corporation upon payment of the membership fee hereinafter provided and upon compliance with the reasonable requirements of the Corporation governing the purchase of water, charges for connection and operation of and service by the system. Membership shall not be denied because of the applicant's race, color, creed or national origin. It is the intent of the Corporation to provide service on a non-discriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit.

The membership fee shall be \$200.00 Dollars which shall entitle the member to one connection to the water main of the Corporation. A person may own more than one membership but each member shall be entitled to only one vote regardless of the number of memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

#### ARTICLE IX

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, ownership of memberships as evidenced by the membership transfer book on the 15<sup>th</sup> day of the month next preceding the month of the date upon which the action requiring such determination is to be taken.

#### ARTICLE X

In order to insure 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, or 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 membership certificate to the Corporation, endorsed by the record owner to the transferee. After all indebtedness due the Corporation has been paid by the Transferee member, a new membership certificate may be issued.

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## ARTICLE XI

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

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

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

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

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

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

Section 5. The Board of Directors shall establish a standing Credentials Committee of three (3) Members, of which the Secretary-Treasurer shall be the chairperson. This committee shall at no time have sufficient board members appointed to constitute a quorum of the Board of Directors. This committee, in accordance with procedures adopted by the Board under Section 2, shall recommend for Board approval the election procedures and all related forms and notices, recommend for Board approval a person to fill the role of independent election auditor, ensure that the election procedures are implemented, and serve other functions designated in the Corporation's election procedures. Should the individual holding the office of Secretary-Treasurer be running for re-election, the Board shall appoint an officer not currently running for re-election to serve as chairperson of this committee.

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



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#### ARTICLE XII

Special meetings of the directors may be held upon reasonable notice, either written or oral. Prior to any special meeting of the members, the President shall request in writing that the Secretary-Treasurer give ten days' notice to the members. Such notice shall indicate the time, place and purpose of the meeting, and shall be addressed and mailed to such members at their address last known to the Corporation.

#### ARTICLE XIII

The business of the Corporation may be handled under the direction of the Board of Directors, by a manager to be elected by a majority vote of the Board, and he shall serve with or without compensation. The manager, with the approval of the Board of Directors, may employ, with or without compensation, such supervisory, clerical or other employees as he may require to effectively operate the business of the Corporation.

#### ARTICLE XIV

All members will be billed, disconnected, or reconnected in accordance with the written policies of the Corporation. In the event a member should surrender his membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, his water service shall terminate except as for the minimum charge for the current month or the charge for water used during the current month, whichever is greater, and except as for any prior unpaid amounts due the Corporation. In the event membership is terminated, cancelled, withdrawn, or surrendered, whether voluntarily or involuntarily, the former member's rights and interest in the assets of the Corporation will not be forfeited.

#### ARTICLE XV

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation 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 practicable. Any indebtedness due the Corporation by a member for water service or otherwise shall be deducted from such member's share prior to final distribution. By application for and acceptance of membership in the Corporation, each member agrees that, upon such discontinuance of service by dissolution, or otherwise, the assets transferred to that member shall be, in turn, immediately transferred by the individual member, to a charitable organization in the State of Texas, selected by a majority of the members voting, which is organized to acquire, store, transport, sell or distribute water for public use and further is qualified for an exemption authorized by Chapter 11 of the State Property Tax Code of the State of Texas.

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#### ARTICLE XVI

The fiscal year of the Corporation shall be from January first to December thirty first.

#### ARTICLE XVII

For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the Farmers Home Administration, or any other financial lending institution, the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as is required by the State Director of the Farmers Home Administration for the State of Texas or as may be required by the Lending Agency.

#### ARTICLE XVIII

If at the end of any fiscal year or in the event of emergency repairs 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 as the Board may determine or as may be required by the Farmers Home Administration, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all costs of operation, 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 Farmers Home Administration without a favorable vote of the majority of the members. Any assessments levied to make up operational deficits in any year shall be levied against members in proportion to their patronage with the Corporation.

In the event a member should surrender his membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, his obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of his membership certificate, provided, however, that this paragraph and the second sentence of Article XIV shall not apply to relieve a member of his obligation under special agreements covering multiple membership certificates held by one member which may have been required or approved by the Farmers Home Administration.

#### ARTICLE XIX

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.

#### ARTICLE XX

These by-laws may be altered, amended, or repealed by a 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 purpose of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive



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any requirements of bond or other provisions for the safety and security of the property and funds of the Corporation of 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 change in the policies of the Corporation. Notice of any amendment to be made at a special meeting of the members must be given at least ten days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the Farmers Home Administration, these by-laws shall not be altered, amended, or repealed without the prior written consent of the State Director of the Farmers Home Administration for the State of Texas.

### ARTICLE XXI

The seal of the Corporation shall consist of a circle within which shall be inscribed  
"EOL Water Supply Corporation".