

**EIGHTH AMENDED BY-LAWS OF  
LAKE LIVINGSTON WATER SUPPLY CORPORATION**

By-laws of Lake Livingston Water Supply Corporation, having been presented to the Board of Directors of said Corporation and duly adopted as follows:

**ARTICLE I.  
Board of Directors**

The Board of directors shall consist of seven (7) directors, a majority of whom shall constitute a quorum. At the Board's first regular meeting of each fiscal year, immediately after, the annual meeting of the members, as provided for in Article X of these Bylaws, the Board of Directors shall elect a President, a Vice-President, a Secretary, Assistant Secretary, Treasurer, and Assistant Treasurer. The President and Vice President must be a member of the Board of Directors. The Secretary, Assistant Secretary, Treasurer and Assistant Treasurer may, but need not be, a member of the Board of Directors. The directors shall be elected by the members at the members' regular meeting provided for in Article X 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 two directors of the first class to expire at the first annual meeting of the members after their election; the terms of the two directors of the second class to expire at the second annual meeting after their election; and the terms of the three directors of the third class to expire at the third annual meeting after his or her election. At each annual meeting, 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 and officers' salaries shall conform to Texas Water Code Chapter 67 (as amended) and may be reimbursed for actual expenses by a majority vote of directors. Upon the death or resignation of a director, whether voted or appointed, a successor to serve out the remaining portion of the term thus vacated shall be selected by a majority of directors remaining. To be eligible to serve on the Board of Directors, a person must be eighteen (18) years of age or older and a member in good standing of the Corporation and must sign a Board Member Contract upon taking office. Any newly elected director who does not sign the Board Member Contract will not be allowed to serve. The form of the Board Member Contract shall be determined by the Board and may be amended from time to time. In the event a director who is not serving on the Board at the time this section is added to the By-laws, ceases to be a member, whether voluntarily or involuntarily, the director will no longer be eligible to serve and his or her office will automatically be vacated. If a Board member is removed for cause they may not ever seek re-election or serve on the Board again, no matter the time length that passes.

The Board of Directors shall consist of no more than two (2) directors at any one time from any one subdivision and that at least five (5) separate subdivisions will be represented on the Board at all times.

**Nominations.** It shall be the duty of the Board of Directors, not less than thirty (30) days nor more than ninety (90) days before the date of a meeting of the members at which directors are to be elected, to make nominations only for the office of the directors whose terms expire at the date of the annual membership meeting. The Board shall prepare and post at the principal office of the Corporation at least twenty (20) days before the meeting a list of such nominations for directors. The Secretary shall mail to each member of the Corporation, with the notice of the meeting, at least ten (10) days prior to the meeting, a statement of the number of directors to be elected and showing the nominations made by the Board. Nothing contained herein shall, however, prevent additional nominations to be made from the floor at the meeting of the members. The members may, at any meeting at which a director or directors shall be removed, as hereinafter provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of directors.

The Secretary shall have the names of those so nominated by the Board printed on ballots, which ballots shall be used at the meeting of the members at which directors are to be elected. The ballots shall be printed prior to the meeting and the ballots shall be arranged so as to leave ample space for the voting for and the writing in of the names of additional nominees made from the floor of the meeting at which directors are to be elected. All directors elected at meetings of the members shall be elected by the ballot as above outlined.

**ARTICLE II.**  
**President**

The President shall preside at all members' and directors' meetings. The President may, and upon demand of any four (4) directors shall, call a special meeting of the directors or members. Such special meeting shall be held upon giving the notice required in Article VI (Special Meetings of the Board of Directors) or in Article X (Special Meetings of the Members) of these By-laws. The President shall perform all other duties that usually pertain to the office or are delegated to him by the Board of Directors.

**ARTICLE III.**  
**Vice-President**

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

**ARTICLE IV.**  
**Secretary**

The Secretary shall keep regular books and shall keep minutes of all meetings of members and directors. The Secretary shall have custody of the seal of the Corporation and affix it as directed hereby or by resolution passed by the Board of Directors or the members. The Board or Directors may appoint an employee as assistant or deputy secretary to assist the Secretary in all official duties.

**ARTICLE V.**  
**Treasurer**

The Treasurer shall have the custody of all the monies and securities of the Corporation. All monies of the Corporation shall be deposited by the Treasurer or designated employee in such depository as shall be selected by the directors. All checks written in the amount of One Thousand Dollars and No Cents (\$1,000.00) or less may be signed solely by the General Manager. Checks written in amounts including and exceeding One Thousand Dollars and One Cent (\$1,000.01) must be co-signed by a Director or designated employee.

**ARTICLE VI.**  
**Meetings of Board of Directors**

**Regular Meetings.** A regular meeting of the Board of Directors shall be held with notice or as required in these By-laws or in the Texas Open Meetings Act. A regular meeting of the Board of Directors shall also be held on the fourth Thursday of each month, with the exception of, November and December, meetings are held on the third Thursday of the month (or as posted in case of emergency) at such time and place to be determined by the Board.

**Special Meetings.** Special meetings of the Board of Directors may be called by the President or any four (4) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them.

Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least three (3) days previous thereto, by written notice, delivered via email, to each Director. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting. Notice of any meeting of the Board of Directors shall be posted in accordance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code (as amended). The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Chapter 551 of the Texas Government Code (as amended), including any subsequent amendment thereto. In the event of any conflict between the provisions of these By-laws and the requirements of the Open Meetings Act, the provisions of the Open Meetings Act shall prevail.

**Open Records.** In addition, all records of the Corporation are subject to the requirements of the Open Records Act, Chapter 552 of the Texas Government Code (as amended).

**Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

**Manner of Acting.** 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.

**ARTICLE VII.  
Membership**

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 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 services, charges for connection, and operation of and service by the system. 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.

Payment of the connection fee established from time to time by the Board of Directors for connecting to the Corporation's water system shall constitute payment of the Corporation's membership fee which shall entitle a member to one connection to the water of the Corporation. All individuals and entities who are connected to the water system of any privately operated water system that is acquired by the Corporation shall automatically become members of the Corporation without having to pay a new connection/membership fee to the Corporation. An individual or entity may own more than one membership but each individual or entity shall be entitled to only one vote regardless of the number of memberships owned. A record of membership shall be maintained by the Corporation.

**ARTICLE VIII.  
Determination of Membership**

For the purpose of determining members 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 or legal entities who are the record owners of memberships as evidenced by the membership transfer book as of the 15th day of the month preceding the month of the date upon which the action requiring such determination is to be taken.

**ARTICLE IX.  
Transfer of Membership**

In order to ensure that 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, or subsequent transferees, except as hereinafter provided, membership in the Corporation shall be deemed personal estate, and shall be transferable only upon submission of proper documentation as may be specified by the Board of Directors or Corporation. After all indebtedness due the Corporation has been paid by the transferring member, membership will be transferred upon meeting all requirements. Notwithstanding anything to the contrary hereinabove provided, the consideration for the transfer of any membership in the Corporation from the original members or subsequent transferees shall never exceed the original cost of such membership. No gain or profit shall ever be realized from the sale or transfer of a membership.

**ARTICLE X.  
Membership Meetings**

**Annual Meeting.** There shall be a regular meeting of the members annually, between January 1 and May 1 at such time and place as to be determined by the Board for the purpose of electing directors, passing upon reports, covering the previous fiscal year and transacting such other business as may come before the meeting. If the election of directors shall not be held during any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently

may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture of dissolution of the Corporation.

**Special Meeting.** Special meetings of the members may be called by the President or at least four (4) voting directors or upon a written request signed by at least one-third (1/3) of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meeting of the members may be held at any place within the Counties of Polk, San Jacinto or Trinity, in the State of Texas, specified in the notice of the special meeting.

**Notice of Members' Meetings.** Written or printed notice stating the place, day and hour of the meeting, and, in case of a special meeting, the purpose or purposes which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the meeting, to each member. 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 records of the Corporation, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members, shall not invalidate any action which may be taken by the members at any such meeting.

**Voting.** Each individual or entity shall be entitled to only one vote regardless of the number of memberships held in the Corporation, upon each matter submitted to a vote at a meeting of the members. At all meetings of the members, all questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the Articles of Incorporation of the Corporation, or these By-laws. If a husband and wife hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

**Election Procedures.** The Board of Directors shall adopt, and may amend from time to time, Election Procedures in accordance with the Texas Water Code Chapter 67.

**Removal of Directors and Officers.** A Director may be removed for cause at any time by the members pursuant to the procedures specified in this Section. Any member may bring charges, specifying the causes for removal against a Director by filing such charges in writing with the Secretary, together with a petition signed by 25% of the membership requesting the removal of the Director in question. The petition shall contain the specific charges of misconduct. The removal shall be voted upon at the next regular or special meeting of members. The affirmative vote of 25% of the membership is required to effect such removal. Any vacancy created by such removal may be filled by the membership at such meeting.

The Director against whom such charges have been brought shall be informed in writing of the charges at least thirty (30) days prior to the meeting. That Director shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him will have the same opportunity. If the removal of more than one Director is sought, a separate vote shall be taken as to each Director.

The term "for cause" as used in this Section is defined as being malfeasance in office; that is, the commission of an act which is knowingly unlawful and which affects interrupts or interferes with the performance of official duties.

#### **ARTICLE XI. Policies, Disconnection and Termination of Membership**

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 properly endorsed to the Secretary of the Corporation, the water service shall be disconnected and their obligation to pay for water service shall terminate except as for the minimum charge for the current month or the charge for water services 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, canceled, withdrawn, or surrendered, whether voluntary or involuntary, the former member's rights and interest in the assets of the Corporation will not be forfeited.

**ARTICLE XII.**  
**Distribution of Profits**

The Corporation shall conduct its business on a nonprofit 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, and provided further that the Board of Directors may allocate to a sinking fund such amount of the annual profits as deems necessary for maintenance, upkeep, operation, and replacements.

**ARTICLE XIII.**  
**Manager**

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 the Manager 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 may be required to effectively operate the business of the Corporation.

**ARTICLE XIV.**  
**Discontinuance or Dissolution of Corporation**

Upon the discontinuance of the Corporation or dissolution or otherwise, all assets of the Corporation remaining after payment of the indebtedness of the Corporation shall be transferred to an entity as provided in the articles of the Corporation.

**ARTICLE XV.**  
**Fiscal Year**

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

**ARTICLE XVI.**  
**Rates and Charges**

The Board of Directors will at all times charge and collect for services rendered by the Corporation rates sufficient to pay all operation, maintenance, replacement and improvement expenses, and to pay interest on and the principal of debt obligations, and to establish and maintain the funds provided for in any financial agreement.

**ARTICLE XVII.**  
**Audited Financials**

The books and accounts of the Corporation shall be audited at least once each year by a person competent to perform such audit. Such audit is required to be performed by a Certified Public Accountant under generally accepted audit principles unless so ordered by the Board of Directors. If the Corporation is required to have a certified audit of its books and accounts by some governmental entity, lending institutions, or other third party, such certified audit shall be sufficient to meet this annual audit requirement so long as the period audited covers at least nine (9) months of the fiscal period which would otherwise be audited under this Article.

**ARTICLE XVIII.**  
**Amendment of By-laws**

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 any requirements of bond or other provisions for safety and security of the property and funds of the Corporation or its members, or to deprive any member 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 (10) days before such meeting and must be set forth in the amendments to be considered.

Notwithstanding the provisions of the preceding paragraph, these By-laws may be altered, amended, or repealed by a vote of a majority of the members of the Board of Directors present at any regular or special meeting of the Corporation if (i) the power to amend the By-laws has been specifically delegated to the Board of Directors by a vote of a majority of the members present at any regular or special meeting of the Corporation, or (ii) if the Corporation has no members at the time action is taken by the Board of Directors to amend or repeal these By-laws.

The By-Laws of Lake Livingston Water Supply Corporation will not be altered, amended or repealed without the express written consent of the General Counsel of the Texas Water Development Board during the period of time that the Corporation is indebted to the Texas Water Development Board.

**ARTICLE XIX.  
Seal**

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

**ARTICLE XX.  
Indemnification of Directors**

The Corporation shall indemnify, hold harmless from and pay to or for on behalf of any or all of the directors or General Manager or Assistant General Manager, any and all sums which may hereafter be adjudged against them or any of them by final judgment of a court of law resulting from actions taken or performed or omitted by said directors, General Manager, Assistant General Manager, or any of them, for and on behalf of the Corporation, its members or its directors, General Manager, or Assistant General Manager in the normal course of the duties of the directors, General Manager, or Assistant General Manager.

This indemnity shall not apply to wrongdoing or willful act or act performed with malice and intent to harm the Corporation or some other person. The Corporation further reserves the right to settle and compromise any suit filed against the directors, General Manager, or Assistant General Manager personally alleging wrongful acts for which the directors, General Manager, or Assistant General Manager would be responsible, other than the exception set forth above.

The above Amended By-laws were unanimously adopted by the Board of Directors of the Lake Livingston Water Supply Corporation at a meeting on the 23<sup>rd</sup> day of April, 2020.

**LAKE LIVINGSTON WATER SUPPLY CORPORATION  
P. O. BOX 1149  
LIVINGSTON, TEXAS 77351-1149**