

**Bylaws  
of  
Manville Water Supply Corporation**

ARTICLE I

Name, Purpose and Offices

Section 1. Name. The name of the corporation is Manville Water Supply Corporation, hereinafter called the Corporation.

Section 2. Purpose. The Corporation is organized exclusively for purposes within the meaning of Section 501 (c)(12) the Internal Revenue Code, or the corresponding sections of any future federal tax code.

Section 3. Offices. The Corporation shall have a registered office, and may have other offices at such places as the Board of Directors may from time to time determine, or as the activities of the Corporation may require.

## ARTICLE II

### Members

Section 1. Members of the Corporation. There is hereby established a category of members who shall be members of the Corporation, and who shall have voting rights in respect thereof as provided by law and these Bylaws. All members in this category of membership shall be members in good standing, and shall meet such other criteria as are adopted from time-to-time by the Board. Every person, whether a natural person or an entity, owning or having a legal right to control possession or occupancy of any property served, or any property which reasonably may be served by the corporation, shall have the right to become a member of the Corporation upon payment of a membership fee; and upon compliance with the policies and procedures of the Corporation governing such membership and the purchase of water. Each member in this category of membership shall be entitled to one (1) vote, notwithstanding the number of water connections owned or controlled by the member.

Section 2. Other Categories of Members. The Board may establish such other categories of members as it from time to time deems appropriate. Persons or entities in such other categories of members shall not be members of the Corporation, and shall not have voting rights in respect thereof.

Section 3. Benefits, Dues and Policies. The Board may establish, and from time to time amend, membership qualifications, benefits, dues, and policies for each category of members established by these Bylaws or by the Board, provided that the membership fee for persons seeking water services from the Corporation shall not exceed one hundred dollars (\$100) per membership.

Section 4. Suspension, Termination, and Appeal. The Board, by an affirmative vote of a majority of all members of the Board, may suspend or terminate a member with or without cause at a meeting whose notice shall include such proposed suspension or termination. The board shall notify the member promptly of his or her suspension or termination. Any member may appeal his or her suspension or termination by filing a written appeal with the Secretary of the Board within thirty (30) days of the date the Board mailed the notice of the suspension or termination. The Board shall consider the appeal at the next regularly scheduled meeting. The decision of the Board shall be final.

Section 5. Resignation. Any member may resign from the Corporation by following the policies and procedures adopted by the Board.

## ARTICLE III

### Meetings of Members

Section 1. Annual Meeting. There shall be an annual meeting of the members, which shall take place at such a time and place as is fixed by the Board. At the annual meeting, the voting members of the Corporation shall elect Directors, unless such election shall have been conducted previously by mail in accordance with the provisions of these Bylaws, and may transact any and all business that may come before the membership subject to all provisions for notice, or waiver of notice, as provided in these Bylaws.

Section 2. Special Meetings. Special meetings of the Corporation shall be held upon presentation of a written petition signed by not less than twenty-five percent (25%) of the voting members of the Corporation who are in good standing. The petition shall also specify the purpose, or purposes, of the special meeting.

Section 3. Notice. Notice of the annual meeting of the Corporation shall be given not less than thirty (30) days nor more than sixty (60) days prior to the date of the annual meeting. Notice of any special meeting of the Corporation shall be given at least fifteen (15) days prior to the date of the special meeting. Notice may be given personally, by mail to the last known address of any member, or by electronic means with or without proof of receipt required as determined by the Board. In all cases, notice shall also comply with the requirements of the Texas Open Meetings Act.

Section 4. Waiver of Notice. Whenever any notice is required to be given to any member, director or other person under the provisions of these Bylaws, a waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 5. Voting and Proxy. Members may vote by mail when so authorized by the Board, and shall be present in person to vote at any meeting of the Corporation. With reasonable notice to the Board Secretary, or his or her designee, and in accordance with the policies and procedures adopted by the Board, a member who is unable to attend any meeting may vote by absentee ballot by mail. All such electronic meetings shall also comply with Subchapter F of the Texas Open Meetings law. Proxy voting shall not be allowed.

Section 6. Quorum. One hundred (100) voting members in good standing, or ten percent (10%) of all voting members in good standing, whichever is less, shall constitute a quorum at any annual or special meeting of the Corporation.

Section 7. Membership Lists. The Board shall maintain, or cause to be maintained, accurate lists of members eligible to vote at the annual meeting, or any special meeting called by the members, in accordance with applicable law.

## ARTICLE IV

### Board of Directors

Section 1. General Powers. The activities, property, monies, and affairs of the Corporation shall be managed by the Board of Directors (hereinafter the Board) which may exercise all such powers of the Corporation as are permitted by statute, the Articles of Incorporation, and these Bylaws.

Section 2. Number. The Board shall consist of nine (9) members, who shall be residents of nine zones, one from each zone, elected by the voting members of the Corporation at large. The number of directors and the number of zones may be increased or decreased from time to time by amendment of these Bylaws, provided that the number of directors shall not at any time be less than three (3) and that no decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Zone maps shall be adopted by the Board and may from time to time be amended or modified, but no amendment or modification shall have the effect of shortening the term of any incumbent director. The current zone map as adopted by the Board shall be appended to these Bylaws.

Temporary transition provision: During the period of transition to full implementation of zone elections by residency, any incumbent director who is otherwise eligible for election to a second three year term under Article IV, Section 4, may be elected to that second term without regard to residency in a particular zone and without regard to a resulting vacancy in any other zone.

Section 3. Qualifications and Election. Subject to the zone residency requirements of Article IV, Section 2, hereof any voting member of the Corporation in good standing shall be eligible to be elected to the Board, provided that at no time shall a member and the member's spouse serve on the Board simultaneously. Directors may be elected by mail ballot, or at the annual meeting of the Corporation, at the discretion of the Board, and in accordance with the provisions of these Bylaws. In the event that the election is conducted by mail, all voting members in good standing shall be entitled to receive a ballot, which shall be mailed to the last known address of the member. The Board shall adopt policies and procedures governing the operation of the election, but in no case shall members have less than twenty-one (21) days to return the ballot. Results of any election by mail shall be announced at the annual meeting of the Corporation.

Section 4. Term of Office. The term of office for directors shall be three (3) years. Directors may be reappointed or reelected to a second term, after which the director shall be ineligible for reelection to the Board for a period of not less than three (3) years. The initial directors under these Bylaws shall be appointed as follows: one-third shall be appointed to a term of one (1) year; one-third shall be appointed to a term of two (2) years ; and, one-third shall be appointed to a term of three (3) years. Thereafter, one-third of the directors shall be elected or appointed each year on a rotating basis for terms

of three (3) years. Directors shall serve until the expiration of their term, resignation, disqualification, or removal from office as provided in these Bylaws.

Section 5. Filling of Vacancies. Any vacancy in the Board, or a vacancy created as the result of an increase in the number of directors, shall be filled by the affirmative vote of a majority of the remaining directors, even if less than a quorum, at any regular or special meeting of the Board, provided that the notice of the meeting shall state that the filling of vacancies is to be considered. Any director appointed to fill a vacancy shall be a resident of the zone in which the vacancy occurs until the end of the term of the vacancy to which he or she was appointed. Vacancies created by an increase in the number of directors shall be appointed so as to meet the requirements for rotation as provided in Section 4 above.

Section 6. Removal and Resignation. Any director may be removed, either for cause or without cause, at any regular or special meeting of the Board by an affirmative vote of a majority of the number of directors fixed by these Bylaws, provided that the notice of the meeting shall state that removal of directors is to be considered. Any officer or director may resign at any time by sending written notice by certified mail to the Chairperson of the Board. The resignation shall take effect at the time specified, but in no case before notice is received. In the event that no time is specified, the date of resignation shall be the date of receipt of the written notice.

Section 7. Regular Meetings. Regular meetings of the Board shall be held at such places and at such times as may be determined by a resolution adopted by the Board and communicated to all directors, subject to all provisions for notice, or waiver of notice, as provided in these Bylaws. There shall be not less than six (6) regular meetings of the Board each year.

Section 8. Special Meetings. Special meetings of the Board shall be held at such places and at such times as may from time to time be determined by the Board, subject to all provisions for notice, or waiver of notice, as provided in these Bylaws. Unless otherwise specified in these Bylaws, any and all business may be transacted at any regular or special meeting of the Board. Special meetings may be called by the President, or by the written request of fifty percent (50%) of the directors in office.

Section 9. Annual Meeting. There shall be an annual meeting of the Board of Directors, which shall be the first Board meeting after the annual meeting of the Corporation. At the meeting, the Board shall elect officers, and may transact any and all business that may come before the Board, subject to all provisions for notice, or waiver of notice, as provided in these Bylaws.

Section 10. Notice. Notice of the annual meeting shall be given not less than thirty (30) days nor more than sixty (60) days prior to the date of the annual meeting. Notice of any special meeting of the Board shall be given at least seven (7) days prior to the date of the special meeting. Notice may be given personally, by mail to the last known address of any director, or by electronic means with or without proof of receipt required as

determined by the Board. Unless otherwise required by law or these Bylaws, neither the business to be transacted, nor the purpose of the meeting need be specified in the notice of the meeting. In case of an emergency declared by the Board President, the seven day notice may be waived. In all cases, notice shall also comply with the requirements of the Texas Open Meetings Act.

Section 11. Waiver of Notice. Whenever any notice is required to be given to any director or other person under the provisions of these Bylaws, a waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 12. Quorum. At all meetings of the Board, the presence of a majority of the number of directors in office shall be necessary and sufficient to constitute a quorum for the transaction of business. If at any time a director suggests the absence of a quorum, the roll shall be taken immediately to determine if a quorum is present. In the absence of a quorum the meeting may be adjourned to such a time and place as determined by the Board when a quorum will be present. No notice, other than announcement at the meeting, shall be required to continue the meeting of the Board.

Section 13. Actions of the Board. The act of a majority of the directors present in person at any meeting where a quorum is present shall constitute an act of the Board of Directors, unless a different number is specifically required by these Bylaws.

Section 14. Voting and Proxy. Directors shall be present in person to vote, provided that with reasonable notice to the Board President, or his or her designee, a director may attend any meeting and vote by electronic means in which all persons participating in the meeting can hear or communicate with each simultaneously. All such electronic meetings shall also comply with Subchapter F of the Texas Open Meetings law. Proxy voting shall not be allowed.

Section 15. Consent. Any action permitted or required to be taken at any meeting of the Board may be taken without a meeting if a consent in writing setting forth the action to be taken shall be signed by all of the directors. Such consent shall have the same force and effect as a unanimous vote of the Board.

Section 16. Attendance. If any director fails to attend any three meetings within one (1) year, then the director shall be deemed to have submitted his or her resignation from the Board. The Board, for good cause shown, and upon verification, may refuse to accept the resignation of any director.

Section 17. Compensation. No director shall receive compensation as the result of his or her service on the Board. Nothing contained in this section shall prohibit any director from receiving reimbursement for actual expenses incurred on behalf of the Corporation, provided that the expense was authorized by the Board. Nothing contained in this section shall prohibit any director from being reimbursed for expenses incurred in attending meetings of the Board or any committee of the Board, subject to applicable policies and procedures on reimbursement adopted by the Board.

## ARTICLE V

### Officers, Agents and Employees

Section 1. Elected Officers. The elected officers of the Corporation shall be a President, a Vice-President, a Secretary, and a Treasurer.

Section 2. Election. All officers shall be elected by the Board of Directors at the first Board meeting after the annual meeting of the Corporation.

Section 3. Appointive Officers, Agents, and Employees. The Board may from time to time appoint such other officers, agents and employees as it deems necessary, who shall have powers and duties as set forth in these Bylaws, or as determined from time to time by the Board.

Section 4. Simultaneous Offices. No person shall hold more than one of the offices designated in Section 1 above at the same time unless the Board shall first declare an emergency, and designate an officer to perform the duties created by the vacancy of another officer. In no case shall the President and the Secretary be the same person.

Section 5. Term of Office, Removal, Filling of Vacancies. Each elected officer shall hold office for a term of one (1) year or until his or her death, resignation, disqualification, or removal from office as provided in these Bylaws. Any officer may be removed at any time by a majority of the number of directors fixed by these Bylaws, when in the judgment of the Board such removal shall be deemed in the best interest of the Corporation, and provided that the notice of the meeting shall state that removal of officers is to be considered. If any office becomes vacant for any reason, the vacancy shall be filled by an affirmative vote of a majority of the number of directors fixed by these Bylaws.

Section 6. President. The President shall have general supervision of the affairs of the Corporation; shall preside at all meetings of the Board; shall have general authority to execute bonds, deeds and contracts in the name of the Corporation; shall sign all official documents on behalf of the Corporation; shall appoint all Committee Chairpersons unless otherwise designated by these Bylaws; shall appoint such other officers and agents as are necessary for the operation of the Corporation; and in general, shall exercise all powers usually pertaining to the President of a corporation. All powers and duties of the President shall be subject to the provisions of the Articles of Incorporation and these Bylaws, and to review and confirmation by the Board in such a manner as is from time to time determined by the Board.

Section 7. Vice-President. The Vice-President shall, in the absence of the President, perform the duties of President of the Corporation, and shall have such other powers and duties as may from time to time be determined by the Executive Committee or the Board.

Section 8. Secretary. The Secretary shall keep and maintain all records of the Corporation unless otherwise specified in these Bylaws; shall see that proper notice is given for all meetings of the Board; shall keep, or cause to be kept, accurate and true records of all proceedings of meetings of the Board; shall ensure that minutes of the previous meetings(s) and all related documents are sent to directors at least five (5) days prior to the next meeting; and in general, shall exercise all powers usually pertaining to the Secretary of a corporation. All powers and duties of the Secretary shall be subject to the provisions of the Articles of Incorporation and these Bylaws, and to review and confirmation by the Board in such a manner as is from time to time determined by the Board.

Section 9. Treasurer. The Treasurer shall be the chief financial and accounting officer of the Corporation; shall have active control of and be responsible for all accounts and finances of the Corporation; shall supervise all vouchers and requests for payment by the Corporation including records pertaining thereto; shall prepare or cause to be prepared accurate and understandable monthly financial reports of the finances of the Corporation; shall prepare or cause to be prepared financial statements and related documents; shall have supervision of the books and accounts of the Corporation; shall ensure that regular and accurate audits are performed according to financial practices and procedures applicable to the Corporation; shall recommend depositories and financial institutions to the Board; shall have care and custody of all monies, funds and securities of the Corporation and shall ensure that all funds are deposited in such depositories as are selected by the Board; shall be responsible for the collection of all accounts payable to the Corporation; shall keep or cause to be kept full and accurate accounts of all expenditures and disbursements by the Corporation; shall have the power to endorse all checks, drafts, notes or other financial instruments payable to the Corporation; shall give or cause to be given proper receipts for all payments to the Corporation; and in general, shall exercise all powers usually pertaining to the treasurer of a corporation. All powers and duties of the Treasurer shall be subject to the provisions of the Articles of Incorporation and these Bylaws, and to review and confirmation by the Board as determined from time to time by the Board.

Section 10. Other Powers and Duties. In addition to the powers and duties enumerated above, the elective and appointive officers, agents, or employees of the Corporation shall perform such other duties, and have such other powers as are provided in the Articles of Incorporation, these Bylaws, and the policies and procedures adopted by the Board, or as are otherwise determined from time to time by the Board.

## ARTICLE VI

### Committees of the Board

Section 1. Executive Committee. There is hereby created an Executive Committee of the Board whose membership shall be the President, Vice-President, Secretary, and Treasurer. The Manager of the Corporation shall serve as an ex-officio, non-voting member of the Executive Committee.

Section 2. Powers and Duties of the Executive Committee. The Executive Committee shall have the authority to act on behalf of the Corporation in the intervals between Board meetings, shall be responsible for recruiting, hiring and evaluating the Manager, and shall have such other powers and duties as may from time to time be determined by the Board. The Executive Committee shall keep accurate records of its proceeding and report all actions to all directors on the Board. All actions of the Executive Committee shall be subject to review and confirmation by the Board in such a manner as is determined from time to time by the Board.

Section 3. Nominating Committee. There is hereby created a Nominating Committee which shall consist of five (5) members of the Corporation who are voting members in good standing. The Board shall appoint the Nominating Committee annually not less than sixty (60) days before the date of mailing of the ballots for elections conducted by mail, or the date of the annual meeting. In appointing such members, the Board shall seek representation from several geographic areas served by the Corporation to the extent possible. No member of the Board may be appointed to serve on the Nominating Committee.

Section 4. Powers and Duties of the Nominating Committee. The Nominating Committee shall conduct an annual skills and needs assessment of the Board; shall be responsible for identifying, screening and recommending qualified potential Board members to the membership; and shall nominate one (1) person from among the members of the Corporation in good standing for each position on the Board that is to be filled at the next election. The Nominating Committee may adopt policies and procedures governing nominations to the Board, subject to approval by the Board.

Section 5. Other Committees. The President or the Board may establish such other committees as are necessary or useful for the operation of the Corporation. All other committees shall have only those powers and duties specifically designated by the Board, and shall perform tasks and activities as may from time to time be determined and assigned by the Board, and shall exist at the pleasure of the Board. No such committee shall have the power to bind the Corporation or the Board, and committee action shall not be a substitute for action by the full Board.

Other committees shall be chaired by a director and may have members who are not officers or directors of the Corporation. Meetings of other committees shall be held upon not less than three days notice to the members of the committee, unless notice is waived by all members of the committee. Proper notice shall be the responsibility of the committee chairperson. The chairperson of each committee shall see that accurate and true minutes of all meetings and activities are kept, and submit said minutes to the Secretary of the Corporation not later than three business days after the meeting or activities occur. The Secretary of the Corporation shall file the said minutes among the records of the Corporation. No committee shall constitute a quorum of the Board.

## ARTICLE VII

### Indemnification of Officers and Directors

Section 1. Indemnification. The Corporation shall indemnify an officer or director of the Corporation against reasonable expenses incurred by the director in connection with any proceeding in which the director is named as a defendant or respondent because he or she is, or was, a director of the Corporation, subject to the limitations in the Articles of Incorporation and these Bylaws.

Section 2. Conditions. The Corporation shall have no obligation to indemnify an officer or director if the director is found liable for:

- a) a breach of the director's duty of loyalty to the Corporation;
- b) an act or omission not in good faith that constitutes a breach of duty of the director to the Corporation
- c) an act or omission that involves intentional misconduct or an intentional violation of the law;
- d) a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office;  
or,
- e) an act or omission for which the liability of a director is expressly provided for by an applicable statute.

Section 3. Limits. The Board may adopt, and from time to time amend, reasonable limits on the expenses of any officer or director for whom indemnification is provided.

## ARTICLE VIII

### Miscellaneous Provisions

Section 1. Dividends Prohibited. No part of the net income of the Corporation shall inure to the benefit of any private shareholder or individual except as provided herein; no dividends shall be paid; and no part of the income of the Corporation shall be distributed to its officers or directors. All profits arising from the operation of the Corporation shall be annually paid out to the members who have, during the previous year, purchased water from the corporation, in direct proportion to the amount of water purchased, provided that no such payments shall ever be paid while any indebtedness of the Corporation remains unpaid.

Section 2. Loans to Officers and Directors. No loans shall be made by the Corporation to any officer or director for any reason at any time.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed, and may be changed from time to time, by resolution of the Board.

Section 4. Policies and Procedures. The Board shall have the authority to adopt such policies and procedures as the Board may from time to time determine are necessary, or as the activities of the Corporation may require.

Section 5. Rate Review. The Board of Directors will review or cause to be reviewed and where appropriate amend all rates and charges of the Corporation to insure that no rates or charges fall below the cost of service. Reviews shall take place no less frequently than every two years.

## ARTICLE IX

### Dissolution

Section 1. Dissolution. The Corporation may be dissolved by resolution approved by a majority of the directors in office, even though less than a quorum, or by a sole remaining director. The resolution shall then be submitted to a vote of the members with voting rights in respect thereof at the annual meeting, at a special meeting, or by mail. Notice shall comply with the requirements of law and these Bylaws, and shall include that the purpose includes the advisability of dissolving the corporation. The resolution shall be adopted by at least two thirds (2/3) of the members present and voting, or who have voted by mail. If the resolution is adopted, after first providing for the payment of all debts, the satisfaction of all liabilities, and the expenses of dissolving the Corporation, all assets of the Corporation remaining shall be distributed among the members and former members in direct proportion to the amount of the member's patronage with the Corporation insofar as is practicable. By application for and acceptance of membership in the Corporation, each member shall agree that upon discontinuance by dissolution or otherwise, the assets transferred to that member shall be, in turn, transferred immediately to a local government entity, or to a nonprofit corporation in the State of Texas, selected on behalf of the members by the Board, which is organized to acquire, store, transport, sell or distribute water for public use provided that such corporation shall also be qualified for an exemption authorized by Chapter 11 of the Property Tax Code of the State of Texas, or the corresponding section of any future tax code.

Section 2. No benefits. No part of the cash or assets of the Corporation shall inure to the benefit of any current or former director or officer, or current or former employee.

## **ARTICLE X**

### Amendments to Bylaws

Section 1. Amendments. These Bylaws may be altered, amended, or repealed, or new Bylaws adopted at any time pursuant to the provisions of these Bylaws.

Section 2. Amendments by the Board. The Board may propose and make amendments to any provisions of these Bylaws, except those areas reserved to the membership, subject to the requirements for notice and approval contained in these Bylaws.

Section 3. Notice and Approval of Amendments Proposed by the Board  
Amendments proposed by the Board may be approved at any meeting of the Board of Directors, provided that the notice of the meeting shall state that amendments to the Bylaws are to be considered, and provided further that the notice shall contain a copy of the proposed amendment or amendments. Approval of the amendment or amendments shall require an affirmative vote by a majority of the number of directors in office.

Section 4. Areas of Amendment Reserved to the Membership.  
The following areas of these Bylaws may be altered, amended, repealed, or new language adopted only by an affirmative vote of the membership, subject to the requirements for notice and approval contained in these Bylaws.

- a. Article II, Section 1. Voting rights of the class of members who are members of the corporation
- b. Article IV, Section 2. Number of directors;
- c. Article IV, Section 4. Term of office of directors; and,
- d. Article X, Section 4. Areas of amendment reserved to the membership

Any voting member of the Corporation in good standing may propose an amendment to these areas of the Bylaws by submitting the amendment in writing to the President of the Board of Directors, but in no case less than sixty (60) days prior to the meeting at which the proposed amendments are to be considered.

Section 5. Notice and Approval of Amendments Proposed by the Membership.

Amendments to areas of these Bylaws reserved to the membership may be approved by mail, or at any meeting of the Corporation. In the case of approval by mail, the mailing shall include a copy of all proposed amendments and instructions on voting procedures. In the case of approval at a meeting of the Corporation, the notice of the meeting shall state that amendments to the Bylaws are to be considered, and shall inform members that a copy of the proposed amendments may be examined during normal business hours at the registered office. Information concerning the proposed amendment or amendments shall be available at the registered office of the Corporation at least thirty (30) days preceding the deadline for return of mail ballots, or the date of the meeting at which the amendments are to be considered. Approval by either method shall require an affirmative vote of a majority of the members in good standing either returning ballots, or present and voting at the meeting.

Section 6. Effective Date. All amendments or repeals to these Bylaws, or any new Bylaws, shall go into force and effect upon the date of approval, unless a later effective date is specified in the amendment.

These Bylaws were adopted by a majority of the members of the Corporation present and voting at the annual meeting of the Corporation held on the 11<sup>th</sup> day of February, 2003; Article VIII, Section 5 amended on the 12<sup>th</sup> day of January, 2006; Article III, Section 1 amended on the 14<sup>th</sup> day of December, 2006; Article VI, Section 5 amended on the 12<sup>th</sup>, day of February, 2009; Article IV, Section 2 , Section 3 & Section 5 amended and Exhibit Map of Zones added on the 10<sup>th</sup> day of November, 2011.

