

BY-LAWS

DURHAM PARK WATER SUPPLY CORPORATION

By-Laws of the Durham Park Water Supply Corporation, 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 (1/3) of the Members, shall call a special meeting of the Members or Directors, and the President may, and shall upon demand of one-third (1/3) 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. The President 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 the case of the absence or disability of the President, perform the duties of the President.

ARTICLE III.

The Secretary shall have custody of the corporate records and of the seal of the

DURHAM PARK WSC BY-LAWS

ARTICLE III. (Con't.)

Corporation and affix it as directed hereby or resolution passed by the Board of Directors or Members. The Secretary shall keep minutes of all meetings of Members and Directors: see that all notices are duly given in accordance with these By-Laws and in general perform all duties incident to the office of Secretary. The board of Directors may appoint a Member as assistant or deputy secretary to assist the Secretary in all official duties.

ARTICLE IV.

Section 1. The Treasurer shall have the custody of all monies and securities of the Corporation. The Treasurer shall keep regular books and all monies of the Corporation shall be deposited by the Treasurer in such depository as shall be selected by the Directors. Checks must have two (2) signatures of any of the following Directors: Treasurer, Asst. Treasurer, President or Secretary.

Section 2. The position of Treasurer and other positions entrusted with receipt and disbursement of funds shall be placed under a fidelity bond in an amount which shall be set forth 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.

DURHAM PARK WSC BY-LAWS

ARTICLE V. (Revised 12/14/2010, 4/9/2013)

The Board of Directors shall consist of five (5) directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on Tuesday the second week of April, the Board of Directors shall elect a President, a Vice-President, a Secretary and a Treasurer. The Directors shall be elected by the Members' at the Members' regular meeting provided for in Article XI of the By-Laws.

The Directors shall be divided into three classes, each class to be nearly equal in number as possible, the terms of the directors of the first class to expire at the first annual meeting of the Members after their election, the terms of the Directors of the second class to expire at the second annual meeting after their election and the terms of 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 that 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 a majority vote of Directors. Upon the death or resignation of a Director, a successor shall be elected by a majority of the Directors remaining to serve out the remaining portion of the term thus vacated.

No individual who is under long-term contract or employment with DPWSC

may serve on the Board of Directors. Any current board member who is serving may

DURHAM PARK WSC BY-LAWS

ARTICLE V. (Con't.) (Revised 12/14/2010, 4/9/2013)

continue to serve in their capacity until such time as they fail to become re-elected or resign. In the event of conflict of interest, the Board Member who is grandfathered shall abstain from voting.

Any Board Member who shall engage in any action which is deemed by the Board to be of a conflict of interest (i.e. using their position on the Board to influence any decisions which may be considered to be of individual interest or conflicting action regarding the DPWSC or another organization's interest rather than being in the interest of the total membership of the DPWSC or by using their position on the Board to pursue action for their personal gain) may by a simple majority vote of the Board be removed from the Board. (Revised 4/9/2013)

ARTICLE VI. (Revised 12/14/1991)

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 to the county clerk of 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 for a least seventy-two (72) hours preceding the scheduled time of the

DURHAM PARK WSC BY-LAWS

ARTICLE VI. (Con't) (Revised 12/14/1991)

meeting. Such notice shall specify the date, hour, place and subject of each meeting held by the Board of Directors. Amendment #1 approved: 14 December 1991.

ARTICLE VII.

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the membership of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the 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 VIII.

Section 1. The directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in an institution insured by the state and Federal Government, or invested in readily marketable securities backed by the full faith and credit of the United States of America, a reserve account separate and apart from other fund accounts of the Corporation. There shall be deposited in such

fund the sum required by a total of all loan resolutions executed by the Corporation. Such deposits will be made monthly and will continue until the total amount deposited

DURHAM PARK WSC BY-LAWS

ARTICLE VIII. Section 1 (Con't)

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.

Section 2. Withdrawals from this fund upon prior Farmers Home Administration approval shall be made only for emergency repairs, obsolescence of equipment, improvements to facility, and for making up any deficiencies in revenue for loan payments.

Section 3. The directors shall invest all sums in this fund not required to be expended within the year in which same are deposited in bonds or other evidence of indebtedness to the United States of America, or in readily marketable securities backed by the full faith and credit of the United States of America. Securities so purchased shall be deemed at all times to be a part of the reserve fund account.

ARTICLE IX. (Revised 3/ 1990, 4/ 2004)

Section 1. Every person (which includes and 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 Corporation's conditions of water service as provided

DURHAM PARK WSC BY-LAWS

ARTICLE IX. Section 1 (Con't.) (Revised 3/1990, 4/2004, 1/2014)

for in its published charges, rates and conditions for service. Membership shall not be denied because of the applicant's race, color, creed, citizenship, 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.

Section 2. Prior to the date of this revision (March 1990), a Membership fee was not required and the execution of a "SERVICE AGREEMENT" would grant the signer Membership and such Membership was not transferable. Effective with the date of this revision, the Membership fee shall be \$100.00. Payment of the Membership fee or transfer of such Membership shall entitle an applicant to further qualify for one connection to the water system of the Corporation or shall continue to qualify for service to an existing connection to the system by meeting conditions for water service as provided in the Corporation's published rates, charges, and conditions of service. 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. Effective April 2004, Membership fee shall be increased to \$150.00. Effective January 1, 2014, Membership fee shall be \$200.00.

Section 3. The Membership fee may be revised by the Board of Directors as

DURHAM PARK WSC BY-LAWS

ARTICLE IX. Section 3 (Con't.) Revised 3/1990

the Board may determine to be appropriate. In determining the amount of the Membership fee, however, the Board shall ensure that the fee is sufficient to establish the potential member as being legitimately interested in securing water service from the Corporation for such potential members' own needs. Furthermore, the Board shall determine and administer such fee in a manner or in an amount which does not event, unreasonably deny service to financially deprived potential members. In no event however, shall the Membership fee exceed an amount equal to the sum of twelve (12) charges of the Corporation's minimum monthly water rate unless previously approved by Farmers Home Administration.

Section 4. In order to insure that business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the accordance Members of the Corporation, Membership in the Corporation shall be transferred in with the following:

(a.) Membership obtained prior to March 1990, when Membership

fees were not required, may not be transferred unless the Member

subsequently paid a Membership fee.

- (b.) Except as herein provided, Membership in the Corporation shall be deemed personal estate and a person or entity that owns any transferable stock of, is a Member of, or has some other right of

DURHAM PARK WSC BY-LAWS

ARTICLE IX. Section 4 (b.) (Con't.) Revised 3/1990

participation in the Corporation may not sell or transfer that stock, Membership, or other right of participation to another person or entity except: (1) by will to a transferee who is a person related to the testator within the second degree on consanguinity; (2) by transfer without compensation to a transferee who is a person related to the owner of stock or other interest within the second degree on consanguinity; or (3) by transfer without compensation or by sale to the Corporation.

(c.) Subsection (b) of this section does not apply to a person or entity that transfers the Membership or other right of participation to another person or entity as a part of the conveyance of real estate from which the Membership or other right of participation arose.

(d.) The transfer of stock, a Membership or other right of participation under this section does not entitle the transferee to water service unless each condition for water service is met as provided in the

Corporation's published rates, charges, and conditions of service.
Water service provided by the Corporation as a result of stock,
Membership or other right of participation may be conditioned
on ownership of the real estate designated to receive service and

DURHAM PARK WSC BY-LAWS

ARTICLE IX. Section 4 (e.) (Con't.) (Revised 3/1990)

from which the Membership or other right of participation arose.

- (e.) The Corporation may cancel a person's or other entity's stock, Membership or other right of participation if the person or other entity fails to meet the conditions for water service prescribed by the Corporation's published rates, charges, and conditions of service, or fails to comply with any other conditions of service placed on the receipt of water service under the stock Membership or other right of participation authorized under Subsection (d) of this section.

The Corporation may consistent with the limitations prescribed by Subsection (b) of this section and as provided in the Corporation tariff, reassign canceled stock, or canceled Membership or other right of participation to any person or entity that has a legal title to the real estate from which the canceled Membership or other right of participation arose and for which water service is requested, subject to compliance with the conditions for water service prescribed by the

Corporation's published rates, charges and conditions of service.

Section 5. Notwithstanding anything to the contrary hereinabove provided, the consideration for the transfer of any Membership in the Corporation from the original Members, their transferees pledges, administrators or executors, or other persons, shall never exceed the amount of the original costs of such Membership.

DURHAM PARK WSC BY-LAWS

ARTICLE IX. (Con't) (Revised 3/1990)

No gain or profit shall ever be realized from the sale or transfer of a Membership.

ARTICLE X. (Revised 3/1990)

For the purpose of determining Members entitled to notice of or 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 Membership shall be deemed to be vested in those persons who are the record owners of Membership as evidenced by the Membership transfer books of the Corporation on the 15th of the month preceding the month of the date upon which the action requiring such determination is to be taken. Nothing herein shall preclude the holder of a Membership from mortgaging such Membership, or, upon notification of the Corporation, preclude the holder of such mortgages from exercising legal rights pursuant to such mortgages upon proper notice to the Corporation.

ARTICLE XI.

There shall be a regular meeting of the members annually, on the second Tuesday of March to transact all business that may be properly brought before it. The Secretary 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 shall

DURHAM PARK WSC BY-LAWS

ARTICLE XI. (Con't)

address and mail the notice to each member at the address last known to the Corporation. Voting by proxy shall be permitted. The presence at a meeting of members entitled to cast in their own right or by proxy twenty-five percent (25%) of the total number of votes shall constitute a quorum for the transaction of business.

ARTICLE XII. (Revised 12/14/1991)

Special meetings of the Directors may be held upon the posting of notice of such special meeting, in the manner provided under Article VI of these By-Laws, at least two hours before the meeting is convened. It shall be the responsibility of the President of his designee to ensure that proper notice is posted. In no event shall any special meeting of the Directors be convened where 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 VI of these By-Laws.

Prior to convening any special meeting of the Members, the President shall request in writing that the Secretary gives at least ten (10) days prior notice to the Members, and that such special meeting is otherwise noticed as provided under Article VI of 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.

DURHAM PARK WSC BY-LAWS

ARTICLE XIII.

The business of the Corporation may be handled under direction of the Board of Directors, by a manager to be elected by 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, enter into Service agreements or contracts as may be required 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 Membership is terminated, canceled, or withdrawn whether voluntarily or involuntarily, the former Member's rights and interest in the assets of the Corporation will not be forfeited.

ARTICLE XV. (Revised 12/14/1991)

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

DURHAM PARK WSC BY-LAWS

ARTICLE XV. (Con't) (Revised 12/14/1991)

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 the discontinuance of the Corporation by dissolution or otherwise, all 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 XVI.

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

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, 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.

ARTICLE XVIII.

If at the end of the fiscal year, or in the event of emergency repairs, the Board of

DURHAM PARK WSC BY-LAWS

ARTICLE XVIII. (Cont.)

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 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 on 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.

ARTICLE XIX. (Revised 12/14/1991)

The books and accounts of the Corporation shall be audited at least once each year by a person competent to perform such audit. 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. Civ.

DURHAM PARK WSC BY-LAWS

ARTICLE XIX. (Con't) (Revised 12/14/1991)

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 provisions of these By-Laws, the provisions of the Open Records Act shall prevail.

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 any requirements of bond or other provisions 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 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 set forth the amendments to be considered.

For so as 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

DURHAM PARK WSC BY-LAWS

ARTICLE XX. (Con't)

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 shall be inscribed “DURHAM PARK WATER SUPPLY CORP.”.

ARTICLE XXII.

The Corporation pledges its assets for use in performing the organizations charitable functions. The above By-Laws and regulations were amended, as indicated, at the Member’s annual meeting held in Durham Park’s Hurricane Hall on the 12th day

of March A. D. 1990, and on 14th day of December A.D. 1991, and also at the regular meeting on April of 2004 by a majority of the Members present in person or by proxy.

ARTICLE XXIII. (Revised 12/14/10)

As long as the Corporation is indebted to the Texas Water Development Board, the By-Laws shall not be altered, amended, or repealed without prior consent of the Executive Administrator.

DURHAM PARK WSC BY-LAWS

ARTICLE XXIV. (Revised 8/9/11)

When employee positions are needed to be filled, advertisements for these positions should be placed in the local newspapers, periodicals, etc. (i.e. Liberty Hill, Georgetown and the Texas Rural Water Magazine). After receipt of an application for the open position the Board would then conduct interviews of those applying and select the best qualified for the position based on the job description.

President - DPWSC

Page 18 - End