

**BY-LAWS**  
**CROWN MOUNTAIN WATER SUPPLY CORPORATION**

**ARTICLE ONE**  
**TYPE OF CORPORATION**

1.01 This corporation is organized for the purpose of furnishing a water supply to all the owners of property located within the boundaries of the property described in the Articles of Incorporation of CROWN MOUNTAIN WATER SUPPLY CORPORATION. This corporation is a water supply corporation in accordance with Vernon's Annotated Civil Statutes, Water Code, Chapter 67.

**Texas Non-Profit Corporation Act**

1.02 The Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes) shall apply to this corporation to the extent that it does not conflict with Vernon's Annotated Civil Statutes, Chapter 67 above.

**Conflicts**

1.03 Any conflicts between these By-Laws and the fore-mentioned articles shall be resolved as follows:

- a) Chapter 67 shall apply first;
- b) Article 1396 shall apply second;

and concurrently with Texas Government Code, Chapter 551 – Open Meetings.

These By-Laws shall apply to all other matters not incorporated in the above referenced articles.

**ARTICLE TWO**  
**OFFICES**

**Registered Office**

2.01 The registered office of the corporation is located at: 539 Lazy Hills Loop, Camp Wood, Texas 78833.

**Registered Agent**

2.02 The registered agent of the corporation at such address is Patricia Isham.

**Principal Office**

2.03 The principal office for the transaction of business of this corporation is located at 539 Lazy Hills Loop, Camp Wood, Texas 78833.

**Other Offices**

2.04 The corporation may also have offices at such other places, within or without the State of Texas, where the corporation is qualified to do business, as the Board of Directors may from

time to time designate, or the business of the corporation may require.

## **ARTICLE THREE**

### **MEMBERSHIP**

#### **Member Defined**

3.01 A "Member" is a person owning property in the tracts, lots, or acreage within the boundaries specified within the Articles of Incorporation.

#### **Membership Fee**

3.02 A membership fee, as set from time to time by the Board of Directors, is paid upon the first purchase of a property within the confines of the area described in the Articles of Incorporation. All residential properties will require one (1) membership fee per lot.

#### **Sale or Transfer of Membership**

3.03 a) A person or entity that owns any membership in the corporation may not sell or transfer that membership to another person or entity except:

1. by will to a transferee who is a person related to the testator within the second degree by consanguinity;
2. by transfer without compensation to a transferee who is a person related to the owner of the membership within the second degree by consanguinity; or
3. by transfer without compensation by sale to the corporation.

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

c) The transfer of membership 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 membership may be conditioned on ownership of the real estate designated to receive service from which the membership or other right of participation arose.

d) The corporation may cancel a person's or other entity's membership 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 condition placed on the receipt of water service under the membership, or other right of participation authorized under Subsection (c) of this section. The corporation may, consistent with the limitations prescribed by Subsection (a) of this section, reassign canceled membership to any person or entity that has legal title to the real estate from which the canceled membership 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.

**ARTICLE FOUR**  
**MEMBERSHIP MEETINGS**

**Election Procedures**

4.01 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.

**Place of Meetings**

4.02 Meetings of members shall be held at any place within Real County, Texas designated by the Board of Directors pursuant to authority hereinafter granted to the Board, or by the written consent of all persons entitled to vote thereat. In absence of any such designation, membership meetings shall be held at the office of the corporation.

**Time of Annual Meeting Business Transacted**

4.03 The annual meeting of members shall be held on the first Saturday of March each year, at the hour of 1:00 PM. At such meetings, Directors shall be elected, by-laws shall be revised, reports of the affairs of the corporation shall be considered, and any other business may be transacted which is within the powers of the members.

**Notice of Meetings**

4.04 (1) 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 position number of directors to be elected and the names of the candidates.

**Failure to Provide Notice**

(2) Failure to hold or call an annual or special meeting in accordance with these By-laws shall give each member rights to compel the Board of Directors to properly hold an annual or special meeting of the membership.

**Calling of Special Meeting Where Election Takes Place**

(3) Any persons entitled to call a meeting of members in which an election is requested shall do so in writing to the President, Vice-President, or Secretary, sent by registered mail or delivered to the officer in person. The written request must specify what members are being asked to vote on. The officer forthwith shall cause notice to be given to the members entitled to vote in accordance with the corporation's Election Procedures.

**Calling of Special Meeting Where Election Does Not Take Place**

(4) Any persons entitled to call a meeting of members shall do so in writing to the President, Vice-President, or Secretary, sent by registered mail or delivered to the officer in person. The officer forthwith shall cause notice to be given to the members entitled to vote that a

meeting will be held at a time, fixed by the officer, not less than ten (10) days after the receipt of the request. If the notice is not given within seven (7) days after the date of delivery, or the date of the mailing of the request, the persons calling the meeting may fix the time of the meeting and give the notice in the manner provided by these By-Laws, and in accordance with the Open Meetings Act. Nothing contained in this section shall be construed as limiting, fixing, or affecting the time or date when a meeting of members called by action of the Board of Directors may be held.

### **Persons Entitled to Call Special Meetings**

(4) Special meetings of the members, for any purpose whatsoever, may be called at any time by any of the following: (1) the President; (2) the Board of Directors; (3) members.

### **Independent Election Auditor**

4.05 (1) 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.

### **Eligibility of Election Auditor**

(2) 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.

### **Responsibility of Election Auditor**

(3) The independent election auditor shall receive and count the ballots before the member meeting is adjourned. The independent election auditor shall provide the Board with a written report of the election results. The independent election auditor shall ensure that the report is read out loud to the members present by a director whose position was not up for election at the meeting.

### **Voting**

4.06 (1) For any election, a member may vote in person at the Membership meeting; by mailing a completed ballot to the independent election auditor which must be received by noon on the business day before the date of the meeting; or by delivering a completed ballot to the independent election auditor in person by noon on the business day before the date of the meeting.

### **Votes per Person**

(2) Each property owner shall be limited to one vote per person regardless of units or amount of property owned. Additionally, only one person may vote for joint interest owner's individual pieces of property. No one individual will be allowed more than one vote.

### **Right to Change Vote**

(3) A member who has mailed in or hand delivered their ballot to the independent election auditor has the right to request to have their ballot pulled at the Membership meeting in

order that they may vote in person at the meeting, provided such request occurs before voting is closed by announcement of the President. The pulled ballot will be destroyed by the independent election auditor in view of the requesting member.

#### **Cumulative Voting**

(4) Directors shall be elected by plurality vote. Cumulative voting shall not be permitted.

#### **Voting by Voice or Ballot**

(5) Elections for Directors shall be by ballot only.

#### **Quorum of Members**

4.07 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 on a matter submitted to a vote at the meeting are counted as present. **Voting List**

4.08 (1) At least forty (40) days prior to the member 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 in which the notice date was determined. The list must show the address of each voting member by means of development and lot number.

#### **Inspection of List**

(2) No later than two (2) business days after the date the annual meeting packets are mailed out to members, and continuing through the member 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. 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 member 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.

#### **Election Committee**

4.09 The Board of Directors shall establish a standing Election Committee of three (3) members. This committee, in accordance with procedures adopted by the Board, 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.

#### **Conduct of Meetings**

4.10 At every meeting of the members, the President, or in his/her absence, the Vice President; or, in their absence another Board member or, a chairperson chosen by a majority of the members present in person and entitled to vote, shall act as chair. The Secretary of the corporation, or in his/her absence, an Assistant Secretary, shall act as Secretary of all meetings of the members. In the absence at such meeting of the Secretary and Assistant Secretary, the

chair may appoint another person to act as Secretary of the meeting.

## **ARTICLE FIVE**

### **DIRECTORS**

#### **Directors Defined**

5.01 "Directors," when used in relation to any power or duty requiring collective action, means "Board of Directors."

#### **Eligibility**

5.02 A person must have been a member of the corporation for at least six (6) months and be at least 18 years old on the date the prospective term begins in order to serve as a director. A person is not qualified to serve as a director if the person has been determined by a final judgment of a court exercising probate jurisdiction to be totally mentally incapacitated; or partially mentally incapacitated without the right to vote; or has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disability. A person for whom a relationship with the corporation has been severed or terminated for cause is not eligible to be a director.

#### **Powers**

5.02 The business and affairs of the corporation and all corporate powers shall be executed by or under authority of the Board of Directors, subject to limitation imposed by Chapter 67 and Article 1396 of Vernon's Annotated Texas Civil Statutes, the Articles of Incorporation, and these By-Laws as to action which requires authorization or approval by the shareholders.

#### **Number of Directors**

5.03 The number of directors of this corporation shall not be less than five (5) directors.

#### **Term of Office**

5.04 Directors shall serve 2-year terms. Directors shall be divided into two (2) classes which will serve staggered terms. The first class shall contain three (3) directors to be elected in odd numbered years; and identified as positions 1.1, 1.2 and 1.3. The second class shall contain two (2) directors, elected in even numbered years and identified as positions 2.1 and 2.2.

#### **Vacancies**

5.05 (1) Vacancies in the Board of Directors shall exist in the case of any of the following events:

- a) the death, resignation, or removal of any Director
- b) the authorized number of Directors is increased; or,
- c) at any annual, regular, or special meeting of members at which any Director is elected, the members fail to elect the full authorized number of Directors to be voted for at that meeting.

### **Declaration of Vacancy**

(2) The Board of Directors may declare the vacant office of a director in any of the following cases:

- a) if he/she is adjudged incompetent by an order of the court, or convicted of a felony;
- b) if within sixty (60) days after notice of selection, he/she does not accept the office either in writing or by attending a meeting of the Board of Directors; or,
- c) if a Director misses two (2) consecutive meetings.

### **Filling Vacancies by Members**

#### **Reduction of Authorized Number of Directors**

(3) The members may elect a Director at any time to fill any vacancy not filled by the Directors. If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board or the members may elect a successor to take office when the resignation becomes effective. A reduction of the authorized number of Directors does not remove any Director prior to the expiration of his/her term of office.

### **Removal of Directors**

5.06 The entire Board of Directors or any individual Director may be removed from office by a vote of a majority of the members entitled to vote at an election of Directors.

### **Place of Meetings**

5.07 Regular meetings of the Board of Directors shall be held at any place within Real County, Texas which has been designated from time to time by resolution of the Board or by written consent of all members of the Board. In the absence of such designation, regular meetings shall be held at the office of the corporation. Special meetings of the Board may be held either at a place designated by resolution of the Board or at the office.

### **Regular Meetings**

5.08 (1) Regular meetings of the Board of Directors shall be held on the second Saturday of each of the following months: March, June, September, and December at 1:00 PM, or at such other time and place as shall from time to time be determined by the Board.

### **Call of Regular Meetings**

(2) All regular meetings of the Board of Directors of this corporation shall be called by the President, or if he/she is absent or is unable or refuses to act, by the Vice President or by any other two Board members.

### **Notice of Regular Meetings**

(3) Written notice of the time and place of regular meetings of the Board of Directors shall be delivered personally to each Director or sent to each Director by mail, email or by other form of written communication at least seven (7) days before the meeting. If the address of a Director is not shown on the records and is not readily ascertainable, notice shall be addressed to him/her at the office of the corporation. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place are fixed at the meeting

adjourned. Notices of regular meetings of the Board of Directors shall be posted according to the Open Meetings Act.

#### **Call of Special Meeting**

5.09 (1) Special meetings of the Board of Directors of this corporation shall be called by the President, or if he/she is absent or unable or refuses to act, by the Vice President or by any two Directors.

#### **Notice of Special Meeting**

(2) Written notice of the time, place, and purpose of special meetings of the Board of Directors shall be delivered personally to each Director or sent to each Director by mail, email or by other form of written communication, at least three (3) days before the meeting. If the address of a Director is not shown on the records and is not readily ascertainable, notice shall be addressed to him/her at the office of the corporation. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place are fixed and the meeting adjourned. Notice of special meetings shall be posted according to the Open Meetings Act.

#### **Quorum**

5.10 A majority of the authorized number of Directors constitutes a quorum of the Board for the transaction of business.

#### **Majority Action**

5.11 Every act or decision done or made by a majority of the Directors present at any meeting duly held at which a quorum is present is the act of the Board of Directors, unless an act of a greater number is required by the Articles of Incorporation or these By-Laws. Each Director who is present at a meeting will be deemed to have assented to any action taken at such meeting unless his/her dissent to the action is entered in the minutes of the meeting, or unless he/she shall file his written dissent thereto with the Secretary of the meeting or shall forward such dissent by registered mail to the Secretary of the corporation immediately after such meeting.

#### **Adjournment**

5.12 (1) In the absence of a quorum a majority of the Directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board.

#### **Notice of Adjourned Meeting**

(2) Adjourned meetings resumed the next day will not be required to have a notice posted. Notice of the time and place of resuming an adjourned meeting the next day need not be given to absent Directors if the time and place are fixed at the meeting adjourned. Adjourned meetings resumed beyond the next day shall have a notice posted in accordance with the Open Meetings Act.

#### **Conduct of Meetings**

5.13 At every meeting of the Board of Directors, the President, or in his/her absence, the Vice President or a chairperson chosen by a majority of the Directors present shall preside. The Secretary of the Board of Directors shall act as Secretary of the meeting. In case the Secretary



shall be absent from any meeting the chair may appoint any person to act as Secretary of the meeting.

### **Compensation**

5.14 Any Director may serve the corporation in any other Capacity as an officer, agent, employee or otherwise and receive compensation thereof.

### **Indemnification of Directors and Officers**

5.15 The Board of Directors shall authorize the corporation to pay or reimburse any present or former Director or Officer to the corporation any costs, or expenses actually and necessarily incurred by him/her in any action, suit, or proceeding to which he/she is made a party by reason of his/her holding such position; provided, however, that he/she shall not receive such indemnification if he/she be finally adjudicated therein to be liable for negligence or misconduct in office. The indemnification herein provided shall also extend to good faith expenditures incurred in anticipation of, or preparation for, threatened or proposed litigation. The Board of Directors may, in proper cases, extend the indemnification to cover the good faith settlement of any such action, suit, or proceeding, whether formally instituted or not.

### **Interested Directors**

5.16 Any contract or other transaction between the corporation and any of its Directors (or any corporation or firm in which any of its Directors is directly or indirectly interested) shall be valid for all purposes notwithstanding the presence of such Director at the meeting authorizing such contract or transaction, or his/her participation in such meeting.

### **Executive Committee**

5.17 The Board of Directors may at any time appoint from among its members an executive committee and one or more other committees, each of which so appointed shall have such power and authority to conduct the business and affairs of the corporation as is vested by law, the Articles of Incorporation, and these By-Laws in the Board of Directors as a whole, except that it may not take any action that is specifically prohibited to the Board of Directors by statute or that is specifically required by statute to be taken by the entire Board of Directors. Members of the executive committee shall receive such compensation as the Board of Directors may from time to time provide. Each Director shall be deemed to have assented to any action of the executive committee unless he/she shall, within seven (7) days after receiving actual or constructive notice of such action, deliver his written dissent thereto to the Secretary of the corporation. Members of the executive committee shall serve at the pleasure of the Board of Directors.

### **Other Committees**

5.18 The Board of Directors, by an affirmative vote of a majority of the members constituting the Board of Directors, may appoint other committees which shall have and may exercise such powers as shall be conferred or authorized by resolution of the Board. A majority of any such committee may determine its action and fix the time and place of its meetings unless the Board of Directors shall otherwise provide. The Board of Directors, by such affirmative vote, shall have power at any time to change the powers and members of any such committees, to fill vacancies, and to dispose of any such committee.

## **ARTICLE SIX**

### **OFFICERS**

#### **Number and Title**

6.01 The officers of the corporation shall be a President, a Vice President, a Secretary, and a Treasurer. The corporation may also have, at the discretion of the Board of Directors, one or more Assistant Secretaries, and such officers as may be appointed in accordance with the provisions of Paragraph 6.03 of this Article. One person may hold two or more offices, except those of President and Secretary.

#### **Officers Assigned**

6.02 The officers of the corporation, except such officers as may be appointed in accordance with the provisions of paragraph 6.03 or Paragraph 6.05 of this Article, shall be chosen by the Board of Directors, and each shall hold office until he/she shall resign or shall be removed or otherwise disqualified to serve, or his/her successor shall be elected and qualified.

#### **Subordinate Officers**

6.03 The Board of Directors may appoint such other officers or agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these By-Laws or as the Board of Directors may from time to time determine. The Board of Directors may delegate to any officer or committee the power to appoint any such subordinate officers, committees or agents, to specify their duties and to determine their compensation.

#### **Removal and Resignation**

6.04 Any officer may be removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board of Directors, by any committee or officer upon whom such power of removal may be conferred by the Board of Directors; provided, however, that such removal shall not be without prejudice to the contract rights, if any, of the person removed. Any officer may resign at any time by giving written notice to the Board of Directors or to the President, or to the Secretary of the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

#### **Vacancies**

6.05 If the office of the President, Vice President, Secretary, Treasurer, or Assistant Secretary (if any), becomes vacant by reason of death, resignation, removal, or otherwise, the Board of Directors shall elect a successor who shall hold office for the unexpired term, and until his/her successor is elected.

#### **President**

6.06 The President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the

business and officers of the corporation, and shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the By-Laws. Within this authority and in the course of his/her duties shall:

#### **Conduct Meetings**

(1) Preside at all meetings of the members, at all meetings of the Board of Directors, and shall be an ex-officio member of all the standing committees, including the executive committee, if any.

#### **Execute Instruments**

(2) When authorized by the Board of Directors or required by law, execute, in the name of the corporation deeds, conveyances, notices, leases, checks, drafts, bills of exchange, warrants, promissory notes, bonds, debentures, contracts, and other papers and instruments in writing, and unless the Board of Directors shall order otherwise by resolution, make such contracts as the ordinary conduct of the corporation's business may require.

#### **Hire and Fire Employees**

(3) Appoint and remove, employ, and discharge, and prescribe the duties and fix the compensation of all agents, employees, and clerks of the corporation other than the duly appointed officers, subject to the approval of the Board of Directors, and control, subject to the direction of the Board of Directors, all of the officers, agents, and employees of the corporation.

#### **Meetings of Other Corporations**

(4) Unless otherwise directed by the Board of Directors, attend in person or by substitute appointed by him/her or the Vice President and Secretary or the Assistant Secretary, and act and vote on behalf of the corporation, at all meetings of the shareholders of any corporation in which this corporation holds stock.

#### **Vice President**

6.07 In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions on the President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him/her by the Board of Directors or the By-Laws.

#### **Secretary**

6.08 The Secretary shall:

#### **Attest By-Laws**

(1) Attest and keep at the principal office of the corporation the original or a copy of its By-Laws as amended or otherwise altered to date.

#### **Minutes of Meetings**

(2) Keep at the principal office of the corporation or such other place as the Board of Directors may order, a book or digital record of minutes of all meetings of its Directors and shareholders, executive committee, and other committees, with the time and place of holding,

whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of members present or represented at membership meetings, and the proceedings thereof.

### **Sign or Attest Documents and Affix Seal**

(3) Sign or attest such documents as may be required by law or the business of the corporation, and to keep the corporate seal and affix it to such instruments as may be necessary or proper.

### **Notices**

(4) See that all notices are duly given in accordance with the provisions of these By-Laws, and in accordance with the Open Meetings Act. In case of the absence or disability of the Secretary, or his/her refusal or neglect to act, notice may be given and served by an Assistant Secretary or by the President or Vice President.

### **Custodian of Records and Seal**

(5) Be custodian of the records and of the seal of the corporation and see that it is engraved, lithographed, printed, stamped, impressed upon or affixed to all certificates for membership prior to their issuance and to all documents, the execution of which on behalf of the corporation under its seal is duly authorized in accordance with the provisions of these By-Laws.

### **Membership Register**

(6) Keep at the principal office of the corporation a membership register or duplicate membership register showing the names of members and their addresses; and the number and date of cancellation of each certificate surrendered for cancellation.

### **Reports and Statements**

(7) See that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed.

### **Exhibit Records**

(8) Exhibit at all reasonable times to any Director an application, or a written demand stating the purpose thereof, of any person who has been a member of record for at least six (6) months immediately preceding his/her demand upon application, the By-Laws, the member register, and minutes of proceedings of the members and Directors of the corporation.

### **Other Duties**

(9) In general, perform all duties incident to the office of Secretary, and such other duties as from time to time may be assigned to him/her by the Board of Directors.

### **Absence of Secretary**

(10) In case of the absence or disability of the Secretary or his/her refusal or neglect to act, the Assistant Secretary, or if there be none, the Treasurer, acting as Assistant Secretary, may perform all of the functions of the Secretary, In the absence or inability to act, or refusal or neglect to act of both the Secretary, the Assistant Secretary and Treasurer, any person thereunto authorized by the President or Vice President or by the Board of Directors may perform the functions of the Secretary.

### **Assistant Secretary**

6.09 At the request of the Secretary, or in his/her absence or disability, the Assistant Secretary, designated as set forth in preceding sub-paragraph 6.08 (11) of these By-Laws shall perform all the duties of the Secretary, and when so acting, he/she shall have all the powers of, and be subject to all the restrictions on, the Secretary. The Assistant Secretary shall perform such other duties as from time to time may be assigned to him/her by the Board of Directors, or the Secretary.

### **Treasurer**

6.10 The Treasurer shall:

#### **Funds Custody and Deposit**

(1) Have charge and custody of and be responsible for all funds and securities of the corporation, and deposit all such funds in the name of the corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors.

(2) Receive, and give receipt for, monies due and payable to the corporation from any source whatever.

#### **Funds - Disbursements**

(3) Disburse or cause to be disbursed, the funds of the corporation as may be directed by the Board of Directors, taking proper vouchers for such disbursements.

#### **Maintain Accounts**

(4) Keep and maintain adequate and correct accounts of the corporation's properties and business transactions including account of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus, and shares. Any surplus, including earned surplus, paid-in surplus, and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account.

#### **Exhibit Records**

(5) Exhibit at all reasonable times the generated reports of accounts and corporation generated records to any Director on application, or to any person who has been a member of record for at least six (6) months immediately preceding his demand, on written demand stating the purpose thereof, during business hours at the office of the corporation where such books and records are kept.

#### **Reports to President and Directors**

(6) Render to the President and Directors, whenever they request it, an account of all his/her transactions as Treasurer and of the financial condition of the corporation.

#### **Financial Report to Members**

(7) Prepare, or cause to be prepared, and certify the financial statements to be included in the annual report to members and generated records of the affairs of the corporation when requested by members.

### **Bond**

(8) Give to the corporation a bond, if required by the Board of Directors or by the President, in a sum, and with one or more sureties, or a surety company satisfactory to the Board, for the faithful performance of the duties of his/her office and for the restoration to the corporation, in case of his/her death, resignation, retirement, or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in his/her possession or under his/her control belonging to, the corporation.

### **Other Duties**

(9) In general, perform all the duties incident to the office of Treasurer and such duties as from time to time may be assigned to him/her by the Board of Directors.

### **Absence of Treasurer**

(10) In case of the absence or disability of the Treasurer or the refusal or neglect to act, the Secretary acting as Assistant Treasurer, may perform all of the functions of the Treasurer. In the absence or inability to act, or refusal or neglect to act, of the Treasurer and the Secretary, any person thereunto authorized by the President or Vice President or by the Board of Directors may perform the functions of the Treasurer.

### **Salaries**

6.11 The salaries of all the officers of this corporation, except that as secretary, or manager whose salary is hereinafter referred to, shall not exceed \$5,000.00 per year. The salary of the secretary shall be fixed by the Board of Directors at a sum commensurate with the duties required of him/her.

### **Manager**

6.12 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 shall be employed at a salary to be fixed by the Board of Directors.

## **ARTICLE SEVEN**

### **EXECUTION OF INSTRUMENTS AND DEPOSIT OF FUNDS**

#### **Authority for Execution of Instruments**

7.01 The Board of Directors, except as otherwise provided in these By-Laws, may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances, and, unless so authorized, no officer, agent, or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable pecuniary for any purpose or in any amount.

#### **Execution of Instruments**

7.02 Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts of the corporation, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the corporation, and other corporate instruments or

documents, and certificates of membership owned by the corporation, shall be executed signed or endorsed by the President or Vice President and by the Secretary or the Treasurer, or Assistant Secretary or Assistant Treasurer, and may have the corporate seal affixed thereto.

### **Bank Accounts and Deposits**

7.03 (1) All funds of the corporation shall be deposited from time to time to the credit of the corporation with such banks, trust companies, or other depositories as the Board of Directors may select or as may be selected by any officer or officers, agent or agents of the corporation to whom may be delegated from time to time by the Board of Directors.

### **Endorsement Without Countersignature**

(2) Endorsements for deposit to the credit of the corporation in any of its duly authorized depositories may be made without countersignature by the President or Vice President, or the Treasurer or Assistant Treasurer, or by any other officer or agent of the corporation to whom the Board of Directors, by resolution shall have delegated such power, or by hand stamped impression in the name of the corporation.

### **Signing of Checks, Drafts, Etc.**

(3) All checks, drafts, or other order for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by resolution of the Board of Directors.

## **ARTICLE EIGHT**

### **CORPORATE RECORDS, REPORTS, AND SEAL**

#### **Minutes of Corporate Meetings**

8.01 The corporation shall keep at the principal office, or such other place as the Board of Directors may order, a book of minutes of all meetings of its Directors and of its members, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at Director's meetings, the number of members present or represented at members' meetings, and the proceedings thereof.

#### **Books of Account**

8.02 The corporation shall keep and maintain adequate and correct accounts of its properties and business transactions, including accounts of its assets, liabilities, receipts, disbursement, gains, losses, capital, surplus, and shares. Any surplus, including earned surplus, paid-in surplus, and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account.

#### **Membership Register**

8.03 The corporation shall keep at the principal office a membership register, showing the names of the members and their addresses, the number of memberships held by each, the number and date of certificates issued for membership, and the number and date of cancellation of every certificate surrendered for cancellation. The above specified information may be kept

by the corporation on any storage device related to electronic data processing equipment provided that such device is capable of reproducing the information in clearly legible form for the purposes of inspection as provided in Section 9.04 of these By-Laws.

#### **Inspection of Records by Members**

8.04 (1) Any person who shall have been a member of record for at least six (6) months immediately preceding his/her demand, on written order and stating the purpose thereof, has the right to proper purpose, its books and records of account generated by the corporation, minutes other than executive session, and record of members, and is entitled to make extracts and copies therefrom as complies with Open Records.

#### **Inspection of Records by Directors**

(2) Every Director shall have the absolute right at any reasonable time to inspect all books, records, documents of every kind, and the physical properties of the corporation. Such inspection by a Director may be made in person or by agent or attorney, and the right of inspection includes the right to make extracts.

#### **Annual Report to Members**

8.05 (1) The Board of Directors shall cause an annual report to be sent to the members not later than sixty (60) days after the close of the fiscal or calendar year.

#### **Contents of Annual Reports**

(2) The annual report shall include the following financial statements:

- (a) A balance sheet as of such closing date;
- (b) A statement of income or profit and loss for the year ended on such closing date; and,
- (c) Such other information as the Directors shall determine.

#### **Preparation of Financial Statements**

(3) The financial statements shall be prepared from the books and shall be in accordance therewith and shall be certified by the President, Secretary, Treasurer, or a Certified Public Accountant. They shall be prepared in a form sanctioned by sound accounting practice for the particular kind of business carried on by the corporation.

#### **Fiscal Year**

8.06 The fiscal year of the corporation shall be the calendar year ending on December 31 of each year.

#### **Corporate Seal**

8.07 The Board of Directors may adopt, use, and thereafter, alter the corporate seal.



**ARTICLE NINE**  
**WATER SUPPLY OPERATING POLICY**  
**TCEQ Regulation**

9.01 As an active water supply corporation, the Crown Mountain Water Supply Corporation, will adhere to Texas Commission on Environmental Quality regulatory policy as cited under Chapter 30 Texas Administration Code.

**ARTICLE TEN**  
**AMENDMENT OF BY-LAWS**

**Adoption, Amendment, Repeal of By-Laws by Directors**

10.01 These By-Laws may be altered, amended, or repealed, and new By-Laws may be adopted, by the Directors, subject to approval, repeal or change by action of the members.

**ARTICLE ELEVEN**  
**DISSOLUTION OF CORPORATION**

**Sale of Assets**

11.01 Upon dissolution, any gains from the sale of appreciated assets will be distributed to all persons who were members during the period which the assets were owned by the organization in proportion to the amount of business done by such members during that period, insofar as is practicable.