



Control Number: 43146



Item Number: 24

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October 14, 2015

VIA PUC INTERCHANGE SERVER and
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Public Utility Commission of Texas
Central Records
PO Box 13326
Austin, Texas 78711-3326

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PUBLIC UTILITY COMMISSION
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Re: Complaint of Carol D. Gillespie against Avalon
Water Supply and Sewer Services Corporation; Public
Utility Commission Docket No. 43146

Dear Public Utility Commission:

Enclosed please the second Supplemental Response of Avalon Water Supply and Sewer Services Corporation filed with you electronically today. By copy of this letter, eleven hard copies of this Supplemental Response are also being delivered to you.

Please let me know should you have a question. Thank you in advance for your courtesy and cooperation.

Very truly yours,

Law Offices of Aimee Hess P.C.

Aimee Hess

By: _____
Aimee Hess

CC: VIA EMAIL: Ms. Carol Gillespie (w/enc)

CC: VIA EMAIL: Ms. Katherine Gross (w/enc)

24

BY-LAWS

AVALON WATER SUPPLY AND SEWER SERVICE CORPORATION

Bylaws of Avalon Water Supply and Sewer Service 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. Such special meetings 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 case of the absence or disability of the President, perform the duties of the President.

ARTICLE III

The Secretary-Treasurer shall have the custody of all the monies and securities of the Corporation. The Secretary-Treasurer shall keep regular books and shall keep minutes of all meetings of Members and Directors. All monies of the Corporation shall be deposited by the Secretary-Treasurer in such depository as shall be selected by the Directors. Checks must be signed by the Secretary-Treasurer and the President or Vice-President, in

the absence of the President. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed hereby or by resolution passed by the Board of Directors or Members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary-Treasurer in all official duties pertaining to the office of Secretary.

The position of the Secretary-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 from time to time, but not less than once each year, by the Board of Directors. The fidelity bond coverage amount shall approximate the total annual debt service requirements for all FmHA loans and be evidenced by a position fidelity schedule bond as acceptable to the Farmers Home Administration.

ARTICLE IV

Section 1. The Board of Directors shall consist of seven (7) Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually thereafter on fourth Thursday of March, the Board of Directors shall elect a President, a Vice-President and a Secretary-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 (3) classes, each class to be as near as equal in number as possible. The terms of the Directors of the first class shall expire at the first annual meeting of the shareholders after their election, the terms of the Directors of

the second class shall expire at the second annual meeting after their election and terms of the Directors of the third class shall 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 the 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 existing Directors to serve until the next regular or special Membership meeting at which time the general Membership shall elect a successor for the remaining balance of the previously vacated term.

Section 2. Officers and Directors may be removed from office in the following manner except as otherwise provided in Article V: Any Member, Officer, or Director may present charges against a Director or Officer by filing such charges in writing with the Secretary-Treasurer of the Corporation. If presented by a Member, the charges must be accompanied by a petition signed by at least ten (10) percent of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those voting if a quorum is present. The Director(s) or Officer(s) against whom such charges have been presented shall be informed in writing, of such charges at least

twenty days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges shall have the same opportunity. If the removal of Director(s) is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of a majority of the Members present and voting at such meeting. A vacancy in any office thus created shall be filled by the Board of Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 3. The President of the Board or his designee shall preside at any meeting of the Members convened to consider removal of an Officer or Director as provided under Section 2 unless the President is the subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President are the subject of charges those Directors who are not the subject of any charges shall appoint one of their number to preside over the meeting. Any meeting convened to consider the removal of an Officer or Director shall be conducted in accord with the procedures prescribed by the Credentials Committee established under the provisions of Article XI. The fact that President, Vice-President, or any other Officer or Director has been made the subject of charges does not otherwise prevent such Officer from

Continuing to act in this capacity as an officer or Director of the Corporation. Any Director that has been removed under the provisions of this Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 4. The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interests of the Membership.

ARTICLE V

Section 1. 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, Chapter 551 Texas Government Code including any amendment thereto. Such notice shall specify the date, hour, place and subject of each meeting held by the Board of Directors.

Section 2. Any Director failing to attend two (2) consecutive regular monthly meetings shall be given written notice by the balance of the Board of Directors that failure by said Director to attend a third consecutive monthly meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to removal of said Director from the Board. A successor shall be elected by a majority vote of the Directors remaining to serve until the next regular or

special Membership meeting, at which time the general Membership shall elect a successor for the balance of the term. If the removal of a Director pursuant to this Section 2 occurs at an annual Membership meeting, then the successor shall be elected by majority vote of the Membership in attendance at the meeting.

Section 3. The Board of Directors shall provide access for the public, new service applicants, or Members to the regular monthly meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances. The Board of Directors shall establish reasonable rules for access to such meetings.

Section 4. The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Article 6252-17, Tex. Rev. Div. Stat., including any subsequent amendment thereto. In the event of any conflict between the provisions of these Bylaws and the requirements of the Open Meetings Act, the provisions of the Open Meetings Act shall prevail.

Section 5. In conducting their duties as members of the Board, each Director (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or the Corporation's affairs, that have been prepared or presented by one or more officers or employees of the Corporation; or by legal counsel, public accountants, or other persons retained by the Corporation for the

development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations; and may rely in good faith and with ordinary care on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one of more Officers or employees of the Corporation; legal counsel, public accountants, or other persons provided the Director reasonably believes such matters to fall within such person's professional or expert competence. Nevertheless, a Director must disclose any knowledge he or she may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE VI

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

provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid.

ARTICLE VII

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in an institution insured by the State or 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 as required by a total of all loan resolutions executed by the Corporation. Such deposits shall be made monthly and shall continue until the total amount deposited equals the sum as required by the executed loan resolutions provided, however that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

Withdrawals may be made from this fund only upon prior written approval from 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.

The Directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited in bonds or other evidence of indebtedness of 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 part of the reserve fund account.

ARTICLE VIII

Section 1. Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of property served or which may reasonably be served by the Corporation, shall have the right to become a Member of the Corporation upon payment of the Membership fee hereinafter provided and upon compliance with the Corporation's conditions of water and/or sewer service as provided for in its published charges, rates and conditions of 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 nondiscriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit.

Section 2. The Membership fee shall be \$100.00. Payment of Membership fee or transfer of Membership shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of Membership to continue to qualify for service to an existing connection to the system by meeting the conditions for water and/or sewer 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.

Section 3. The Membership fee may be revised by the Board of Directors as 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 or sewer 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 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 Corporation's minimum monthly water rate unless previously approved by Farmers Home Administration.

ARTICLE IX

Where necessary for determining those Members entitled to notice of, or those Members entitled to vote at any meeting or any adjournment thereof, or where necessary to make a determination of Members for any other proper purpose, ownership of Memberships shall be deemed to be vested in those persons who are the record owners of Memberships as evidenced by the Membership transfer book on the 15th day 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 X

Section 1. 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 Members of the Corporation, Membership in the Corporation shall be transferred in accordance with the following:

(a) Except as herein provided, Membership in the Corporation shall be deemed personal estate and a person or entity that owns any stock of, is a Member of, or has some other right of 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 by consanguinity; (2) by transfer without compensation to a transferee who is a person related to the owner of the stock or other interest within the second degree by consanguinity; or (3) by transfer without compensation or by sale to the Corporation.

(b) Subsection (a) 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 part of the conveyance of real estate from which the Membership or other right of participation arose.

(c) The transfer of stock, a Membership, or another right of

participation under this section does not entitle the transferee to water or sewer service unless each condition for water or sewer service is met as provided in the Corporation's published rates, charges, and conditions of service. Water or sewer 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 from which the Membership or other right of participation arose.

(d) 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 or sewer 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 or sewer service under the stock, 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 and as provided in the Corporation's tariff, reassign canceled stock, or a canceled Membership, or other right of participation to any person or entity that has legal title to the real estate from which the canceled Membership or other right of participation arose and for which water or sewer service is requested, subject to compliance with the conditions for water or sewer service prescribed by the Corporation's published rates, charges, and conditions of service.

Section 2. 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. No gain or profit shall ever be realized from the sale or transfer of a Membership.

ARTICLE XI

Section 1. There shall be a regular meeting of the Members annually, second Monday of March to transact all business that may be properly brought before it. The Secretary-Treasurer 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 address and mail the notice to each Member at the address last known to the Corporation. 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. Voting by proxy shall be permitted. Members holding ten percent (10%) of the votes entitled to be cast, represented in person or by proxy, shall constitute a quorum for the transaction of business.

Section 2. After fixing a date for the notice of a meeting, the Board of Directors shall prepare an alphabetical list of the names of all voting members who are entitled to vote as of the record date of the meeting. The list must show the address of each voting member. Not later than two (2) business days after

the date notice is given of the meeting, and continuing through the meeting, the list of voting members must be available for inspection by any member entitled to vote at the meeting for the purpose of communication with other members concerning the meeting at the Corporation's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. Any voting member, or voting member's agent or attorney, shall be allowed, on written demand, to inspect and, at a reasonable time and at his expense, copy the list. Further, the Board shall make the list of voting members available at the meeting, and shall allow inspection of such list by any voting member or voting member's agent or attorney at any during the meeting, including any adjournments thereof.

Section 3. The Board of Directors shall establish a standing Credentials Committee of three (3) Members, of which the Secretary-Treasurer shall be the chairperson. This committee shall adopt proper procedures for conducting an annual or special Membership meeting; adopt a specific proxy form to be used in conducting an annual or special Membership meeting; adopt procedures for proper notification of the Membership of such meetings and delivery of the Corporation's proxy forms to the Membership; determine, qualify, and register the eligible voters for such meeting; validate proxies, determine presence of quorum for conducting the meeting, design ballots, canvass all votes, and institute proper recording of the results of such elections.

ARTICLE XII

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

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

ARTICLE XIII

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

to effectively operate the business of the Corporation.

ARTICLE XIV

Notwithstanding the ownership of a Membership certificate, all Members shall be billed, disconnected, or reconnected, and otherwise shall receive service in accordance with the written policies of the Corporation, including the tariff of the Corporation. In the event a Member should surrender his Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water service or sewer service shall be discontinued and the obligation to pay for water service or sewer service shall terminate except as for the minimum charge for the current month and the charge for water used or sewer service furnished during the current month, and except as for any prior unpaid amounts due the Corporation. In the event Membership is terminated, cancelled, withdrawn, or surrendered, whether voluntarily or involuntarily, the former Member's rights and interest in the assets of the Corporation will not be forfeited.

ARTICLE XV

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation remaining after payment of the indebtedness of the Corporation shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with the Corporation insofar as practicable. Any indebtedness due the Corporation by a Member for water service and sewer service or otherwise shall be deducted from

such Member's share prior to final distribution. By application for the 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 January 1st to December 31st.

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

Section 1. If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board

may determine or as may be required by 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.

Section 2. In the event a Member should surrender his Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the Membership certificate, provided, however, that this paragraph and the second sentence of Article XIV shall not apply to relieve a Member of his obligation under special agreements covering Multiple-Membership certificates held by one Member which may have been required or approved by the Farmers Home Administration.

ARTICLE XIX

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors, and committees, and shall keep a record of the name and addresses of its Members entitled to vote

at its registered office or principle office in Texas.

Annually, the Board of Directors shall prepare or cause to be prepared a report of the financial activity of the Corporation for the preceding year including a statement of support, revenue, and expenses and changes in fund balances, a statement of functional expenses, and balance sheets for all funds or such financial reports as required by Farmers Home Administration. Such report shall be approved by the Board of Directors.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by The Open Records Act, Article 6252-17a, Tex. Rev. Civ. Stat., including any amendments thereof, 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 Bylaws, 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 to amend the By-Laws as to effect a fundamental change in the policies of the Corporation. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the Farmers Home Administration, these By-Laws shall not be altered, amended, or repealed without the prior written consent of the State Director of the Farmers Home Administration for the State of Texas.

ARTICLE XXI

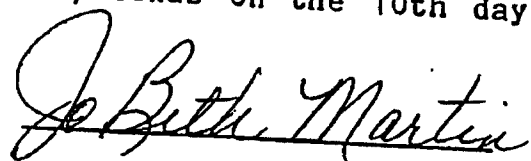
The seal of the Corporation shall consist of a circle within which shall be inscribed "AVALON WATER SUPPLY AND SEWER SERVICE CORPORATION".

ARTICLE XXII

The Corporation pledges its assets for use in performing the organization's charitable functions.

ARTICLE XXIII

The above By-Laws and regulations were unanimously adopted by the Membership of the AVALON WATER SUPPLY AND SEWER SERVICE CORPORATION, at a meeting in Avalon, Texas on the 10th day of March, A.D. 1997.


Secretary-Treasurer

Amendment to Avalon Water Supply and Sewer Service Corporation ByLaws

The below amendment was adopted at the Annual Meeting of the Members held on April 9, 2012: Copies of such meeting are attached.

In compliance with SB 333 the Membership of Avalon Water supply and Sewer Service Corporation voted and adopted changes to Article XI of the ByLaws:

In accordance with Sections 67.0051-.0054 and 67.007 of the Texas Water Code

In accordance with Sections 67.0051-.0054 and 67.007 of the Texas Water Code

- | | |
|-----------------------------|--|
| 75 days prior | Notice of opportunity to submit applications for director positions is sent to all Members. |
| 45 days prior | Applications for director positions are due. Board selects an independent election auditor. Board finalizes and approves agenda and meeting packet for the meeting. Corporation prepares voting roster of members. |
| 30 days prior | Select an Election Auditor no later than 30 days prior to the meeting date. |
| 30 days prior | Members' meeting packets, including notice of meeting, are mailed. |
| 28 days prior | Voting roster is made available to the members in Corporation's Office. |
| 3 days prior | Corporation posts notice of Membership Meeting/Director Election and of first Board of Director meeting in accordance with Open Meetings Act. |
| 12 noon, 1 day prior | Deadline for submittal of ballots by mail or delivered to business office. |
| Meeting/Election Day | Meeting is convened and ballots are accepted until presiding director makes a last call for ballots. Upon adjournment of director election, New Board of Directors meets. |

ELECTION PROCEDURES FOR
MEMBERS' MEETINGS

_____ WATER SUPPLY [SEWER SERVICE]
CORPORATION

Adopted in accordance with Sections 67.0051-.0054 and 67.007 of the Texas
Water Code by the Board of Directors, this ____ day of ____, 20__.

President

Secretary-Treasurer

Corporate Seal

1. **Annual Meeting Date.** The annual meeting of the members of the Corporation must be held between January 1 and May 1, at a time specified by the Corporation's Bylaws; or if not addressed in the Bylaws, as determined by the board. The Corporation may hold other special meetings of the members for the purpose of conducting an election on an issue that requires a vote of the membership or for another purpose.
2. **Credentials Committee.** Each year the Board of Directors will appoint a Credentials Committee of three individuals during the first business meeting after the annual members' meeting.
 - The chairperson of the Credentials Committee will be the Secretary-Treasurer unless that individual is running for re-election the following year; in which case the Board will appoint a director not running for re-election to serve as chairperson of this committee.
 - In filling the other two positions, the Board will appoint one other member of the Board and one other person from the membership.
 - The Credentials Committee may assist the board: (1) by recommending for Board approval the election procedures, ballot form, director application form, meeting packet, and meeting notice; (2) by recommending for approval a person to fill the role of independent election auditor ("Election Auditor"); (3) by ensuring that the election procedures are implemented; (4) by generating interest among the membership to apply to serve on the board; and (5) by serving other functions as set forth in these procedures.
3. **Adoption of Election Procedures.** These election procedures apply to a member meeting where an election will be held. They were adopted in accordance with Section 67.007(b) of the Water Code.¹
4. **Applications for Director.**
 - At least 75 days before the date of a member meeting that includes a director election, the Corporation will notify all members of their opportunity to submit applications to serve as a Director. In addition, the Credentials Committee may take additional actions to generate interest among the membership to apply to serve on the Board. The Application Form will require the following information (**Attachment 2**)²:
 - i. The person's name and contact information;
 - ii. If applicable, the director's position number or other distinguishing number for which the person seeks to be elected;
 - iii. A petition, signed by the lessor of 20 members or five percent of the members, requesting that the person's name be placed on the ballot as a candidate for that position*;
 - iv. Biographical information about the person;
 - v. A statement of the person's qualifications to serve as director;
 - vi. A sworn statement that the person is qualified under Texas Water Code Section 67.0051 as follows: (1) is at least 18 years old on the first day of the term to be filled; (2) is a member of the Corporation; (3) has not 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; and (4) has not been finally convicted of a felony or if convicted, was pardoned or otherwise released from the resulting disabilities;

¹ Adoption of these procedures should occur at least 90 days before the election date.

² See T.W.C. Sec. 67.0052

- vii. A statement that the person meets the eligibility requirements, if any, set forth in the Certificate of Formation and Bylaws of the Corporation; and
- viii. The person's written consent to serve, if elected.

* Note: The Corporation may advise candidates to obtain a few extra signatures in case there are any disqualifications of the signatures provided.

- Director Applications are due 45 days before the date of the meeting where the election will be held.³
 - The Corporation shall designate an employee or the Credentials Committee to review applications for completeness, including whether the signature on the petition represents a valid membership.
5. **Election Auditor.** The Board of Directors will select an Election Auditor not later than 30 days before the scheduled date of a member meeting where an election will be held.⁴
- The Election Auditor is not required to be an experienced election judge or auditor and may serve as an unpaid volunteer.
 - The Election Auditor cannot be associated with the Corporation as an employee, director or candidate for director, or independent contractor engaged by the Corporation as part of the Corporation's regular course of business; but may be a member of the Corporation.
 - The Election Auditor will receive and count the ballots before the meeting is adjourned and serve other functions as set forth in these procedures.
6. **Meeting Packets.** At least 30 days before the date of a member meeting where an election will be held,⁵ the Corporation shall mail to each voting membership of the Corporation the meeting packets, which will contain as applicable: (1) Official Ballot Form (Attachment 4); (2) biographical information about each candidate for director, including their qualifications as provided in their application (Attachment 6); (3) a detailed explanation of any issue that the members are being asked to vote on; (4) if bylaw changes are being proposed, a copy of the specific changes; (5) an envelope for members to return their ballots that includes the member's return address and account number, and the address where the ballots are to be sent (either Corporation's main office or Election Auditor's office) (Attachment 5); and (6) the meeting notice and agenda (Attachment 3).

Note for Meetings with no Elections: The Corporation will mail to each voting membership of the Corporation the meeting packets which will contain the meeting notice and agenda; and an explanation of the reason for which the meeting is being held. The law requires notice at least 10 days in advance of the meeting.

7. **Open Meetings Act Notice.** The Corporation will post the Meeting Notice & Agenda in accordance with the Open Meetings Act at least 72 hours in advance of any member meeting.
8. **Voting Roster.** The Corporation will prepare an alphabetical list of the names and addresses of all its voting members ("Voting Roster") as required by Section 22.158 of the Business Organizations Code.

³ This is the first deadline specifically required by law at T.W.C. Sec. 67.0052(b)

⁴ See T.W.C. Sec. 67.007(d)

⁵ See T.W.C. Sec. 67.0053

- Not later than the second business day after the date the meeting packets are sent to the members, and through the day of the meeting, the Voting Roster will be made available in the Corporation's office for inspection by members or member's agents or attorneys. It will also be available for inspection at the meeting.
 - A member is entitled to only one vote regardless of the number of memberships the member owns. In addition, only one representative from each membership may sign a petition supporting an application for director. A member may be a natural person; a partnership of two or more persons having a joint or common interest, including a married couple who jointly own property; or a corporation.
 - A member may sign his or her board member Application Petition.
- 9. Voting in Advance of a Member Meeting**
- The Corporation will accept ballot forms in-person during regular office hours at the Corporation's office or by mail until 12:00 noon the day before the member meeting.⁶
 - The Credentials Committee or designated Corporation staff will record on the Voting Roster which members have submitted ballot envelopes, and then will place the unopened ballot envelopes in a secured box[es].
 - The secured box will be turned over to the Election Auditor after the 12:00 noon voting deadline and will remain in the custody of the Election Auditor until the end of the Election.
- 10. Voting in Person at a Member Meeting.**
- Members attending a meeting will check in with the Election Auditor who will verify whether the member has already submitted a ballot.
 - The Election Auditor will provide ballots to those members who are voting at the annual or special meeting. The ballots will be printed on a different color paper or contain a special marking to distinguish them from the ballots sent in advance of the meeting.
 - If a member attends the meeting but has already submitted a ballot, the member may participate in the meeting but may not change their vote or submit another ballot.
- 11. Conducting the Meeting.** The presiding director will conduct a member meeting in accordance with the noticed meeting agenda.
- 12. Quorum Requirement.** At the commencement of the meeting, the presiding director will make a last call for the submission of ballots. The presiding director will report the total number of members who are present, which includes those members who mailed or delivered ballots prior to the meeting, for the purpose of establishing a quorum. The presiding director will announce that a quorum of the membership is present and that the meeting [and election] may proceed.⁷ Members arriving after a quorum has been established may still vote as long as the Election Auditor has not completed the written report of the election results.
- 13. Counting the Ballots.** The Election Auditor will open the ballot envelopes received prior to the meeting and place the ballots with the ballots received at the meeting. The envelopes will be kept separately in a secured location. The Election Auditor will count all the ballots at the meeting prior to adjournment and will provide the board with a written report of the election

⁶ See T.W.C. Sec. 67.0054(a)

⁷ See T.W.C. Sec. 67.007(a-1)

results.⁸ The Election Auditor may enlist the assistance of members or other individuals to count ballots and to assist with other duties as long as those individuals are not an employee of the Corporation, a director or candidate for director, or an independent contractor engaged by the Corporation as part of the Corporation's regular course of business.

- If there is more than one vacant director position to be filled and the terms are not for equal duration of service, those candidates receiving the greater number of votes will fill the vacancies with the longer terms.
- If two or more candidates for a director's position tie for the highest number of votes, those candidates will draw lots under the direction of the Election Auditor to determine who is elected.
- If there is a tie vote on an issue other than a director election, the measure fails.

14. New Board of Director Meeting. The first business meeting of the new board of directors will be held on the same day and immediately following a director election. A separate agenda will be posted for this first meeting, as required by the Open Meetings Act, where business will include electing new officers from among the board of directors and appointing a Credentials Committee for the next election year. The board will also designate those directors who have authority to sign checks on the behalf of the Corporation, if not otherwise designated by the Corporation's Bylaws.

15. Election Contest. Should any member wish to contest an election, said member must officially file suit in _____ District Court within thirty days of the announcement of the official results of the election at issue.

⁸ See T.W.C. Sec. 67.0054(b) & (e)

§ 67.0051. QUALIFICATIONS FOR ELECTION OR APPOINTMENT AS DIRECTOR.

- (a) To be qualified for election or appointment as a director, a person must be:
 - (1) 18 years of age or older on the first day of the term to be filled at the election or on the date of appointment, as applicable; and
 - (2) a member or shareholder of the Corporation.
- (b) In addition to the qualifications prescribed by Subsection (a), a person is not qualified to serve as a director if the person:
 - (1) has been determined by a final judgment of a court exercising probate jurisdiction to be:
 - (A) totally mentally incapacitated; or
 - (B) partially mentally incapacitated without the right to vote; or
 - (2) has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.
- (c) If the board determines that a person serving as a director does not have the qualifications prescribed by Subsections (a) and (b), the board shall, not later than the 60th day after the date the board makes that determination, remove the director and fill the vacancy by appointing a person who has the qualifications prescribed by those subsections.

§ 67.0052. BALLOT APPLICATION.

- (a) To be listed on the ballot as a candidate for a director's position, a person must file an application with the Corporation that includes:
 - (1) the director's position sought, including any position number or other distinguishing number;
 - (2) a petition, signed by the lesser of 20 members or shareholders or five percent of the members or shareholders, requesting that the person's name be placed on the ballot as a candidate for that position;
 - (3) the person's written consent to serve, if elected;
 - (4) biographical information about the person; and
 - (5) a statement of the person's qualifications, including a statement that the person has the qualifications prescribed by Section 67.0051.
- (b) The application must be filed with the Corporation not later than the 45th day before the date of the annual meeting.

(c) The Corporation shall make available director candidate application forms at the Corporation's main office and shall provide application forms by mail or electronically on request.

§ 67.0053. BALLOT.

(a) Not later than the 30th day before the date of an annual meeting, the Corporation shall mail to each member or shareholder of record:

- (1) written notice of the meeting;
- (2) the election ballot; and
- (3) a statement of each candidate's qualifications, including biographical information as provided in each candidate's application.

(b) The election ballot must include:

- (1) the number of directors to be elected; and
- (2) the names of the candidates for each position.

§ 67.0054. ELECTION PROCEDURES.

(a) A member or shareholder may vote:

- (1) in person at the annual meeting;
- (2) by mailing a completed ballot to the office of the independent election auditor selected under Section 67.007(d) or to the Corporation's main office, which ballot must be received by the Corporation not later than noon on the business day before the date of the annual meeting; or
- (3) by delivering a completed ballot to the office of the independent election auditor or to the Corporation's main office not later than noon on the business day before the date of the annual meeting.

(b) The independent election auditor shall receive and count the ballots before the annual meeting is adjourned.

(c) For each director's position, the candidate who receives the highest number of votes is elected.

(d) If two or more candidates for the same position tie for the highest number of votes for that position, those candidates shall draw lots to determine who is elected.

(e) The independent election auditor shall provide the board with a written report of the election results.

(f) The board may adopt necessary rules or bylaws to implement this section, including rules or bylaws to ensure the fairness, integrity, and openness of the voting process.

§ 67.007. ANNUAL OR SPECIAL MEETING.

(a) The annual meeting of the members or shareholders of the Corporation must be held between January 1 and May 1 at a time specified by the bylaws or the board.

(a-1) A quorum for the transaction of business at a meeting of the members or shareholders is a majority of the members and shareholders present. In determining whether a quorum is present, all members and shareholders who mailed or delivered ballots to the independent election auditor or the Corporation on a matter submitted to a vote at the meeting are counted as present.

(b) The board shall adopt written procedures for conducting an annual or special meeting of the members or shareholders in accordance with this section and Sections 67.0052, 67.0053, and 67.0054. The procedures shall include the following:

- (1) notification to eligible members or shareholders of the proposed agenda, location, and date of the meeting;
- (2) director election procedures, including candidate application procedures;
- (3) approval of the ballot form to be used; and
- (4) validation of eligible voters, ballots, and election results.

(c) The board shall adopt an official ballot form to be used in conducting the business of the Corporation at any annual or special meeting. No other ballot form will be valid. Ballots from members or shareholders are confidential and are exempted from disclosure by the Corporation until after the date of the relevant election.

(d) The board shall select an independent election auditor not later than the 30th day before the scheduled date of the annual meeting. The independent election auditor is not required to be an experienced election judge or auditor and may serve as an unpaid volunteer. At the time of selection and while serving in the capacity of an independent election auditor, the independent election auditor may not be associated with the Corporation as:

- (1) an employee;
- (2) a director or candidate for director; or
- (3) an independent contractor engaged by the Corporation as part of the Corporation's regular course of business.