

PRUITT SAND FLAT WATER SUPPLY CORPORATION BY-LAWS

AMENDED:

- 11/16/1978
- 10/4/1985
- 12/2/1991
- 3/22/1992
- 6/22/2001
- 12/6/2004
- 3/9/2013
- 3/9/2019
- 3/9/2024

Pruitt – Sand Flat Water Supply Corporation By-Laws

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Pruitt – Sand Flat Water Supply Corporation By-Laws

GENERAL

By-Laws of the PRUITT – SAND FLAT WATER SUPPLY CORPORATION, having been presented to the Board of Directors of said Corporation and duly adopted as follows:

ARTICLE I – PRESIDENT

The President shall preside at all members' and directors' meetings. The President may call a special meeting, and upon demand of one third (1/3) of such directors, shall call a special meeting of the Directors or membership. Such special meetings shall be held upon giving notice as required in ARTICLE XIII of these By-Laws. The President shall perform all other duties that usually pertain to the office or are delegated by the Board of Directors.

ARTICLE II – VICE-PRESIDENT

The Vice-President shall, in case of the absence or disability of the President, perform the duties of the President or other duties delegated to the Vice-President by the Board of Directors.

ARTICLE III – TREASURER

The Treasurer shall have custody of all the monies and securities of the Corporation and shall keep regular books of monies expended. Checks must be signed by the Treasurer and the President or Vice-President. The Treasurer and any one of the officers above may handle the renewal of CD's, or other banking business necessary in the absence of the President. The Treasurer shall have custody of the seal of the Corporation and affix it as directed hereby or by a resolution passed by the Board or members. The position of the Treasurer shall be placed under a fidelity bond in an amount set by the Board of Directors. The amount of said bond shall be set from time to time by the Board of Directors but shall not be less than \$10,000.00.

The Treasurer shall work closely with the Office Manager to effectively operate the business of the Corporation.

ARTICLE IV – SECRETARY¹

The Secretary shall keep minutes of all meetings of members and directors. In accordance with the Open Meetings Act, the Secretary will post a copy on the website bulletin board 72 hours in advance of

¹ Revised 3/9/2024 – Separated Treasurer and Secretary

the meeting. The Secretary will prepare letters notifying the Texas Commission on Environmental Quality (TCEQ)² of system changes as recommended by annual inspection and of system changes as improvements occur for the President's signature. He will prepare the annual newsletter for all members to update them on the progress of the Corporation and will act as the Corporation's contact for the System insurance carrier.

ARTICLE V – BOARD OF DIRECTORS

The Board shall consist of five (5) Directors, a majority of who shall constitute a quorum. Upon issuance of the Charter and annually thereafter on the second Saturday in March, the Board shall elect a President, a Vice-President, a Secretary and a Treasurer.

The Directors shall be elected by the members at the members' regular annual meeting provided for in ARTICLE XII of these By-Laws. Directors shall serve a term of 3 years, alternating Director replacements to provide continuity of the Board

The Directors shall serve without pay but may be compensated for actual expenses by a majority vote of Directors.

Upon death or resignation of a Director, a successor shall be elected by a majority of the Directors remaining to serve out the remaining portion of the term thus vacated.

The Board of Directors shall appoint a nominating committee, consisting of two members who are not Board members and a Director as Chairperson. This nominating committee shall be appointed at the first Board meeting following January 1 each year. The purpose of the committee is to seek candidates who are willing to serve, show interest in the Corporation and are qualified to serve as Director. The nominees shall number at least the number of Directors whose term will expire at the annual meeting.

Employees to be hired by the Board of Directors shall be done by advertising in a local newspaper and in popular social media readily available to the general public. Applications shall be accepted for such positions for at least three days following the advertised job opportunity. The three days shall begin after the latest publication date on the above social media sites. NO BOARD MEMBER SHALL EVER BE A PAID EMPLOYEE OF THE SYSTEM .

ARTICLE VI – BOARD OF DIRECTORS MEETING

Regular meetings of the Board of Directors shall be held at such time and place as the Board may determine at the next regular meetings. Notice must be posted in a place readily accessible to the general public at all times, and it shall be the duty of each Director to attend the meetings without further notice. A copy of the Open Meetings Act, Article 6252-17, Texas Revised Civil Statutes, shall be available at the Corporations' office and at the Annual Membership Meeting. This Open Meetings Act shall prevail in case of conflict between these By-Laws and the Open Meetings Act.

² Revised 3/9/2024 – Changed TNRCC to TCEQ

ARTICLE VII – PROFITS, DIVIDENDS, NON-PROFIT ORGANIZATION

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the membership of such Corporation. Any profits arising from the operation of such business shall be held in reserve for future projects, capital improvements and/or potential rate reductions.

ARTICLE VIII – RESERVE FUND ACCOUNT

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in a bank within the State of Texas, insured with the Federal Deposit Insurance Corporation (FDIC), a reserve account separate and apart from other fund accounts of the Corporation. These shall be deposited in such fund an amount equal to the amount of funds held for all membership fees. Withdrawals from this fund shall be made only for emergency repairs, obsolescence of equipment, and for making up any deficiencies in the revenue for loan payments.

One of the objectives of the reserve fund is to assure, during the periods of non-water deliveries or water shortages, the availability of funds equal to the difference between collection from the sales of water and collections that would have been made had the members been able to purchase the quantity of water used normally.

The Directors shall invest all sums in this fund not required to be expended with the year in which the same are deposited in bonds or other evidence of indebtedness to the Government, or they shall deposit said sums at interest in a savings account, in a bank insured with FDIC. Securities so purchased shall be deemed at all times to be a part of the Reserve Fund Account. After any withdrawals, such deposits shall be made monthly until the amount accumulated is restored to the amount of the membership fees of the members.

ARTICLE IX – BECOMING A MEMBER, MEMBERSHIP DUES³

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 be reasonably served by the Corporation shall have the right to become a member of the Corporation upon payment of the membership fee hereinafter provided and upon compliance with the reasonable requirements of the Corporation governing the purchase of water, charges for connection and operation of service by the system. Membership shall not be denied because of the applicant's race, color, creed, natural origin, sex, age, gender identity, physical handicap/disability, or any other characteristic or statuses protected by law. It is the intent of the Corporation to provide service on a non-discriminatory basis to all persons desiring service to the extent that the capability of the system will reasonably permit.

SECTION 2. The membership fee shall be one hundred fifty dollars (\$200.00) which shall entitle the member to one connection to the water main of the Corporation.

ARTICLE X – ELIGIBILITY OF MEMBER TO VOTE

For the purposes of determining members entitled to notice of or to vote at any meeting of members or any adjournment thereof or in order to make a determination of members for any other purpose, ownership of membership shall be deemed to be those persons who are the record owners of memberships as evidenced by the membership transfer book on the 15th day of the month next preceding the month of the date upon which the action requirement such determination is to be taken.

A person may own more than one membership but each member shall be entitled to one vote regardless of the number of memberships owned.

ARTICLE XI – TRANSFER OF MEMBERSHIP, PERSONAL ESTATE

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 Corporations shall be transferred from the original members, their transferees, pledges, administrators or executors, or purchasers at judicial sale, or other persons, only after approval by the director of the person proposing to buy said membership. Membership in the Corporation shall be deemed personal estate and shall be transferable only upon surrender of membership certificate endorsed by the record owner in the transferee, and after all indebtedness due the Corporation has been paid by the transferring member.

ARTICLE XII – MEMBERS ANNUAL MEETING

There shall be a regular meeting of the members annually, on the SECOND SATURDAY IN MARCH to transact all business that may be properly brought before it. The Secretary shall give at least fifteen (15) days' notice of such annual meeting to the membership indicating the time, place, and purpose of such meeting, and shall address and mail notice to each member at the address last known to the Corporation. The presence at a meeting of members entitled to vote shall constitute a quorum for the transaction of Corporation business.

ARTICLE XIII – SPECIAL MEETINGS OF DIRECTORS AND MEMBERS

Special meetings of the Directors may be held upon reasonable notice, either written or oral. Prior to any special meeting of the members, the President shall request in writing that the Secretary seven (7) days' notice to the members. Such notice shall indicate the time, place, and purpose of the meeting, and shall be posted in a place readily accessible to the general public at all times during the required posted period. Additional notice may be addressed and mailed to members at their last known address.

ARTICLE XIV – MANAGERS

Section 1. Office Manager. The business of the Corporation may be handled under the direction of the Board of Directors, by An Office Manager to be elected by the majority of the Board, and the Office Manager shall serve with or without compensation. The Office Manager, with the approval of the Board of Directors may employ, with or without compensation such supervisory, clerical or other employees as the Office Manager may require to effectively conduct the business of the Corporation. Employees to be hired by the Board of Directors shall be done by advertising in the local papers serving our area. Applications shall be accepted for such positions for at least three days following the advertised job opportunity. NO BOARD MEMBER SHALL EVER BE A PAID EMPLOYEE OF THE SYSTEM.

Section 2. Field Operations. The work of installing and maintaining the Corporation infrastructure will be handled, under the direction of the Board of Directors, by a Field Operator that may be either hired or contracted to perform work such as reading water meters, repairing water leaks, maintaining wells and associated facilities and equipment, installing/removing water service, etc. The Field Operator shall maintain at least a Class C Groundwater Water System Operator Occupational License, Class B is preferable.

ARTICLE XV – SERVICE BILLING, DISCONNECT, RECONNECT

All members will be billed, disconnected, or reconnected in accordance with the written policies of the Corporation. In the event a member should surrender his membership certificate properly endorsed to the Secretary of the Corporation, his water service shall be disconnected and this obligation to pay for water service shall terminate except as for the minimum charge for the current month or the charge for water used during the current month, whichever is greater, plus any unpaid amounts due the Corporation. In the event a membership is canceled, or a member surrenders his membership involuntarily, the former members' rights and interest in the assets of the Corporation at the time of the cancellation or withdrawal are forfeited.

ARTICLE XVI – DISSOLUTION

Upon dissolution of the Corporation, 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 in the amount of their patronage with the Corporation insofar as practicable. Any indebtedness due the Corporation by a member for water service or otherwise shall be deducted from such members' share prior to final distribution.

ARTICLE XVII – FISCAL YEAR

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

ARTICLE XVIII – INSURANCE

For so long as the Corporation is indebted for a loan or loans made to it by a Government Agency or local banking institution the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as in required for the State of Texas.

ARTICLE XIX – ASSESSMENTS

SECTION 1. If at the end of any 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, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all costs of operations, 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 the Agency holding the loan, without a favorable vote of the majority of the members. The assessments shall be proportionately levied against each member based on the average amount of water used during a defined period.

SECTION 2. In the event a member should surrender his membership certificate properly endorsed to the Treasurer of the Corporation, his obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of his membership certificate, provided, however, that this paragraph and the second sentence of Article XV 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 Agency holding the loan.

ARTICLE XX – AUDITING BOOKS

The books and accounts of the Corporation shall be audited by a person competent to perform such audit at least once each year. The reports prepared by such auditor shall be submitted to the members at the annual meeting of such members. Annually the Board of Directors shall have the audit prepared of the financial activity of the Corporation for the preceding year including a statement of support, revenue, expenses and changes in fund balances, a statement of functional expenses, and balance sheets for all funds or such financial report as required by any Agency to which the Corporation is indebted. Also, this audit shall include Customer Accounts, Meter Reading Books, and Equipment and Parts inventory.

With prior written request, corporate records, books, inventories, and the Annual Audit, subject to exceptions provided by the Open Records Act, Article 6252-13a, Texas Revised Civil Statutes, including any amendments thereto, shall be available for public inspection and copying for the public or their duly authorized representative during normal business hours subject to a reasonable charge for the preparation of copies. In the event of any conflict between the provisions of the Open Records Act and the provisions of these By-Laws, the provision of the Open Records Act shall prevail.

ARTICLE XXVI – AMENDING BY-LAWS

These By-Laws may be altered, amended, or repealed by a vote of a majority of the members present at any regular meeting of the Corporation, or at any special meeting of the Corporation called for that purpose.

By-Laws Amendment exceptions:

- a) 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
- b) The members shall not waive any requirements of bond or other provisions for the safety and security of the property and funds of the Corporation or its members
- c) to the members shall not deprive any member of rights and privileges then existing, or so amend the By-Laws as to effect a fundamental change in the policies of the Corporation.

Notice of any amendment to be made at a special meeting of the members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered. For so long as the Corporation is indebted for a loan or loans made to it by any Agency, these By-Laws shall not be altered, amended or repealed without written consent of those Agencies involved.

ARTICLE XXII – SEAL OF THE CORPORATION

The seal of the Corporation shall consist of a circle within which shall be inscribed “PRUITT – SAND FLAT WATER SUPPLY CORPORATION”.

ARTICLE XXIII – PLEDGE

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

The above By-Laws were unanimously adopted by the Board of Directors of the PRUITT SAND FLAT WATER SUPPLY CORPORATION at a meeting on the 09 day of March 2024.

Paul Iley
President

Robert Grey
Vice-President

Jeff Tunnell
Treasurer

Jeff Barker
Secretary

Will Ferguson
Director

SUPPLEMENTS

PREVIOUS PLEDGES AND REVISION HISTORY

The above By-Laws were unanimously adopted by the Board of Directors of the PRUITT – SAND FLAT WATER SUPPLY CORPORATION at a meeting of the 2nd day of July 2001 and again on the 6th day of December 2004, to describe the duties of the secretary in ARTICLE III. The TNRCC was changed to TCEQ (Texas Commission on Environmental Quality).

Revised

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G. L. Carter
President

C. E. Lambert
Vice-President

Frank Stuart
Secretary

Wayne McWilliams
Treasurer

Gary Kavanaugh
Director

William Neal
President

Phil Brown
Vice-President

Paul Iley
Secretary

Sharon Slayden
Treasurer

G. L. Carter
Director