

BYLAWS OF COUNTY LINE SPECIAL UTILITY DISTRICT

WHEREAS, an election was held on May 09, 2009, the results being 69% for and 31% against conversion to a Special Utility District. The District was created with all the rights, powers, privileges, authority, functions and duties of a special utility district created under Chapters 49 and 65, Texas Water Code; and

WHEREAS, the area of the District was previously operated for many years by the County Line Water Supply Corporation, the assets, debts and liabilities of which have been transferred to the District.

NOW THEREFORE, the duly constituted Board of Directors of the County Line Special Utility District has adopted and by motion duly made, seconded and carried does hereby adopt the following by-laws to provide for the conduct of the affairs of the District in conformity with and pursuant to the provisions of the Texas Water Code and other laws governing such special utility districts in Texas, these By-Laws will replace previously adopted By-Laws.

ARTICLE I

Principal Office & Meeting Place.

- 1.1 The District's principal office will be located at 8870 Camino Real, Umland, Texas 78640 and the mailing address will be 8870 Camino Real, Umland, Texas 78640. Such principal office may be moved to any other location as determined by the Board of Directors with appropriate notice provided as may be required by law.
- 1.2 The principal office shall be the location for all meetings of the Board of Directors, the general manager and staff offices and the location of all records of the District. By approval of the Board, a meeting may be convened or removed to a location other than the principal office with proper legal notice posted.
- 1.3 If the Board establishes a meeting place outside the District, it shall give notice of the location(s) of such meeting place to the Texas Commission on Environmental Quality and also publish notice of the location in a newspaper of general circulation in the District.

ARTICLE II

Board of Directors

- 2.1 The Board is comprised of seven members. Four members shall constitute a quorum of Directors for the transaction of all business of the District.
- 2.2 Robert's Rules of Order, in its most current edition at the time, is adopted as the Board's source and reference for governing its conduct of business.
- 2.3 The terms of the Directors shall be staggered and the term of office for members of the Board after the initial period of service shall be three years. The initial term of each director shall be as determined by the Board.
- 2.4 The Board shall convene when a meeting is called by any Board member or General Manager. Regular monthly meetings of the Directors shall be held on the Third Monday of each week.
- 2.5 The Board of Directors shall hold such regular and special meetings as may be necessary for the proper conduct of the District's business. All meetings shall be conducted in accordance with the Open Meetings Act, Chapter 551, Texas Government Code. A meeting of a committee of the Board, where less than a quorum of the Board is present is not required to be held as a meeting subject to the provisions of the Open Meetings Act. (See Section 49.064 Texas Water Code, as amended)
- 2.6 The convening of all regular meetings will be posted on County Line Special Utility District website and on the door of the principal office at least 72 hours prior to the start of the meeting.
- 2.7 Notice of meetings to members of the Board shall be given in writing or email with a copy of the proposed agenda of items to be considered by the Board at least three days in advance of the regular meeting. In case of a special/emergency meeting, notice shall be given to Directors at the same time as posting of notice as required by the Open Meetings Act and may be by telephonic, telefax, email or hand-delivered notice. Neither failure to provide notice to a Director of a meeting nor any insubstantial defect in the notice of any meeting shall affect the validity of any action taken at the meeting.
- 2.8 At least four (4) members of the Board of Directors must be present to conduct a meeting. Approval of matters brought before the Board shall be deemed approved by the affirmative vote of a majority of those present. The President of the Board is authorized to vote on all issues and is not limited only to tie-breaking votes.
- 2.9 The District may sue and be sued in the courts in this state in the name of the District by and through the Board. A suit for contract damages may be brought against the District only on a written contract of the District approved by the District's Board. (Water Code Section 49.066(a)).

- 2.10 All vacancies on the Board shall be filled, for the unexpired term, by appointment of the Board.
- 2.11 To be qualified to serve as a Director, a person must be:
- a. at least 18 years of age;
 - b. a legal resident citizen of this state; and
 - c. either own land in the District or be a customer of the District

ARTICLE III

Officers

- 3.1 At the first regular meeting after the election, the Board will elect a President, Vice President, Secretary and Financial Officer.
- 3.2 The President shall preside and vote at all Directors meetings. The President shall perform all other duties that usually pertain to the office or as delegated by the Board of Directors. The Vice-President shall, in case of the absence or disability of the President, perform the duties of the President.
- The Secretary shall keep minutes of all meetings of the District. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary in all official duties pertaining to that office. The Secretary shall, in case of the absence or disability of the President and Vice-President, perform the duties of the President.
- The Financial Officer will perform the duties required in the Public Funds Investment Act, Texas Local Government Code 2256

ARTICLE IV

Removal of Officers/Directors

- 4.1 Officers and Directors may be removed from office in the following manner, except as otherwise provided in Article V: Any Customer, Officer, or Director may present charges against a Director or Officer by filing such charges in writing with the Secretary of the District. If presented by a Customer, the charges must be accompanied by a petition signed by at least ten (10) percent of the Customers of the District. Such removal shall be voted on at the next regular or special meeting of the Board of Directors 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 (20) 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 a Director(s) is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the District. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director upon a vote of customers in an election. 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.

- 4.2 Any Director failing to attend two (2) consecutive meetings may be given written notice by the Board of Directors that failure by said Director to attend a third consecutive meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to remove the said Director from the Board. A successor shall be appointed by a majority vote of the remaining Directors to service the completion of the term.
- 4.3 The President of the Board, or Vice-President, shall preside at any meeting 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 accordance with the procedures prescribed by the Board. The fact that the President, Vice-President, or any other Officer or Director has been made the subject of charges does not otherwise prevent such individual from continuing to act in the capacity as an Officer or Director of the District. 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.
- 4.4 The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the District and serve the interests of the Customers. Such policy, at a minimum, shall be in conformance with the provisions of the Texas Non-Profit Corporation Act pertaining to duties and responsibilities of the Board of Directors.
- 4.5 No director shall be liable to the District or the Districts customers for monetary damages for any act or omission in the director's capacity as a director of the District, except and unless the director shall be found liable for a breach of the director's duty of loyalty to the District or the District's customers; an act or omission not in good faith that constitutes a breach of the director's duty to the District or an act or omission that involves intentional misconduct or a knowing violation of the law on the part of the director; a transaction from which the director receives an improper benefit, whether or not the benefit results from an action taken within the scope of the director's office; or an act or omission for which the liability of the director is expressly provided by Texas law.

ARTICLE V

Meetings

- 5.1 The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Chapter 551, Texas Government Code, 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.

- 5.2 The Board of Directors shall provide access for the public, new service applicants, or Customers to the meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances; however, there shall be no deliberations or actions by the Board unless such has first been noticed in accordance with the Texas Open Meetings Act. The Board of Directors shall establish reasonable rules for access to such meetings.
- 5.3 The Board of Directors may, upon lawful notice to the public, meet in executive session when permitted, in the manner and for such limited purposes as provided for in the Texas Open Meetings Act, as amended, and for no other reason. All proceedings of any meeting at which a quorum of Directors is present to discuss the business of the District shall be recorded in the manner required by the Texas Open Meetings Act.
- 5.4 In conducting their duties as members of the Board, Directors: (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 District or the District's affairs that have been prepared or presented by one or more officers or employees of the District, or by legal counsel, public accountants, or other persons retained by the District 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 District are at least that of their book value; and (3) in determining whether the District has made adequate provision for the discharge of its liabilities and obligations, 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 District'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 or more Officers or employees of the District, legal counsel, public accountants, or other persons provided the Directors reasonably believes such matters to fall within such person's professional or expert competence. Nevertheless, Directors must disclose any knowledge they may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.
- 5.5 Emergency meetings of the Directors may be called by a Director or the General Manager on rare occasions and only when clearly authorized by the Texas Open Meetings Act. Notice of such emergency meeting shall be provided under Article V of the Bylaws and the Texas Open Meetings Act, at least two hours before the meeting is convened. It shall be the responsibility of the President, or a designee of that office, to ensure that proper notice is posted and Directors are properly notified. In no event shall any emergency meeting of the Directors be convened where the business of such meeting could be considered at a regular or special meeting of the Directors receiving at least seventy-two (72) hour notice as provided under Article V of these Bylaws.

ARTICLE VI

Business

- 6.1 The District shall conduct its business on a special utility district basis, and no dividends shall ever be paid to the Customers of such District. All profits arising from the operation of such business shall be allocated to a reserve accounts such amount of profits as they deem necessary for maintenance, operation, capital improvement, expansions and replacements of all facility components, as provided by Section 67.008(d) of the Texas Water code. Funds allocated by the Board to a sinking fund for replacement, amortization of debts, and the payment of interest that are not required to be spent in the year in which deposited shall be invested in accordance with the provisions of Section 67.0 14(b) of the Texas Water Code.

ARTICLE VII

Investments

- 7.1 The Directors of the District shall establish and maintain 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 District. Securities so purchased shall be deemed at all times to be part of the reserve fund account.

ARTICLE VIII

Service

- 8.1 The District shall have Customers as defined by the Texas Water Code. 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 District, shall have the right to become a Customer of the District upon payment of the Security Deposit hereinafter provided and upon compliance with the District's conditions of water and/or sewer service as provided for in its published charges, rates and conditions of service. A Customer shall not be denied because of the applicant's race, color, religion, sex age, marital status, familial status, handicap, financial assistance from Public Assistance, disability or national origin. It is the intent of the District to provide service on a nondiscriminatory basis.
- 8.2 The Security Deposit shall be as determined by the Board of Directors. Payment of the Security Deposit or transfer of an Account shall entitle an applicant to further qualify for one (1) connection to the system or shall entitle a transferee of Account 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 District's published rates, charges, and conditions of service.

- 8.3 The Security Deposit may be revised by the Board of Directors as the Board may determine to be appropriate. In determining the amount of the Security Deposit, however, the Board shall ensure that the fee is sufficient to establish the potential Customer as being legitimately interested in securing water service from the District for such potential Customers' 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 Customers.
- 8.4 The District may cancel a person's Account if the person or other entity fails to meet the conditions for water service prescribed by the District's published rates, charges, and conditions of service, or fails to comply with any other condition placed on the receipt of water and/or sewer service as provided in the District Service Policy.
- 8.5 Notwithstanding anything to the contrary here-in-above provided, the consideration for the transfer of any Account in the District from the original Customer, their transferees, pledges, administrators or executors, or other persons, shall never exceed the amount of the original costs of such Security Deposit. No gain or profit shall ever be realized from the sale or transfer of an Account.
- 8.6 All Customers shall be billed, disconnected, or reconnected, and otherwise shall receive service in accordance with the written policies of the District Service Policy. Any remaining balance from the Security Deposit will be refunded to the Customer.

ARTICLE IX

Dissolution

- 9.1 Upon the discontinuance of the District by dissolution or otherwise, all assets of the District shall be distributed to the entity that will service the CCN.

ARTICLE X

Fiscal Year

- 10.1 The fiscal year of the District will be January 1 to December 31.

ARTICLE XI

District Records

- 11.1 The District shall keep correct and complete books and records of accounts and shall keep minutes of the proceedings of its Board of Directors and committee meetings at its registered office or principle office in Texas. All such records are the property of the District and are subject to the open records law, Chapter 552, Government Code, as amended.

- 11.2 Annually, the Board of Directors shall prepare, or cause to be prepared, a report of the financial activity of the District for the preceding year including a report of the financial activity of the District 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.
- 11.3 With prior written request, district records, books, and annual reports, subject to exceptions provided by the Public Information Act, Chapter 552, Texas Government Code, including any amendments thereto, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to a reasonable charge for the preparation of copies.
- 11.4 In the event of any conflict between the provisions of the Public Information Act and the provisions of the Bylaws, the provisions of the Public Information Act shall prevail.

ARTICLE XII
Amendments to By-Laws

- 12.1 These Bylaws may be altered, amended, or repealed by a vote of the Board of Directors.

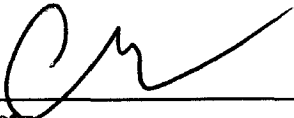
ARTICLE XIII
Pledge

- 13.1 The District pledges its assets for use in performing the functions of the District as provided by law and the District's Articles of Incorporation.

ARTICLE XIV
Adoption

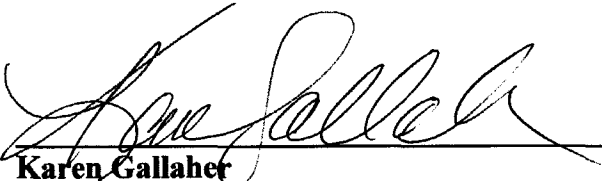
14.1 Theⁱ above Bylaws and regulations were unanimously adopted by the Board of Directors of the County Line SUD, at a meeting in Uhland, Texas on the 21st day of March, 2016.

Adopted this 21st day of March, 2016



Chris Betz
President, County Line Special Utility District

Attest:



Karen Gallaher
Secretary, County Line Special Utility District



County Line Special Utility District stamp