

**Matagorda Waste Disposal
and
Water Supply Corporation**

By Laws

Amended June 20 ,2010

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(All other sections reserved for expansion as may be necessary)

By Laws

Matagorda Waste Disposal & Water Supply Corp.

Article I

The organization shall henceforth be called the Matagorda Waste Disposal and Water Supply Corporation, incorporated under the laws of the State of Texas. The seal of the Corporation shall consist of a circle within which shall be inscribed "MATAGORDA WASTE DISPOSAL & WATER SUPPLY CORPORATION". For the purposes of this by law, it shall be hereinafter known as the Corporation. The fiscal year of said Corporation shall be January 1st through December 31st.

Article II

Section I. The Board of Directors shall consist of Seven (7) Directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter, or duly passed revision of these by-laws, the Members shall elect seven (7) directors. Said election shall take place at the regular Annual Shareholder's meeting held on the third (3rd) Monday of March. The Directors shall be elected at large. Following the initial election of Directors, those elected will draw for positions in three (3) classes. Those drawing number one (1), number two (2), and number three (3) shall be the Directors of the first (1st) class, whose terms will expire at the first annual shareholder meeting after their election. Those drawing number four (4) and number five (5) shall be the Directors of the second (2nd) class, whose terms will expire at the annual shareholder meeting two (2) years after their election. Those drawing number six (6) and seven (7) shall be the Directors of the third (3rd) class, whose terms will expire at the annual shareholder meeting three (3) years after their election. At each annual shareholders meeting thereafter, the number of Directors to be elected will be equal to the number of the class whose term expires at the time of said meeting. Directors elected after the class rotation has been established shall serve for three (3) years, or until the third (3rd) succeeding annual meeting.

Upon the death, resignation, or disqualification of a Director, a successor shall be elected by a majority of the remaining directors to serve until the next annual shareholder meeting following the vacation of the position. The general membership shall elect a successor for the remainder of the vacated term.

Within this section, or any other section, the election of a majority for a regular three (3) year term is expressly forbidden; *force majeure* alone excepted.

Section 2. The Board of Directors, at a special meeting immediately following the annual shareholder meeting, shall organize the Board by electing a President, Vice-President, and Secretary-Treasurer. These officers serve until the next annual shareholder meeting and Board reorganization. The Directors serve without remuneration of any kind, with the exception of actual expenses incurred and approved by the Board of Directors.

Article III

Section 1. The President shall preside at all meetings of Members and/or Directors. The President shall, upon demand of one third (1/3) of the Membership, call a special meeting of the Members and/or Directors. Such meeting shall be held within the notification requirements in Article XII of these By-laws. The President shall perform all other duties regularly reserved to the office, or are delegated to him by the Board of Directors

Section 2. The Vice-President shall, in the absence or disability of the President, perform the duties of the President.

Section 3. The Secretary-Treasurer shall have custody of all the monies and securities of the Corporation. He/she shall keep regular books, and shall keep minutes of all meetings of the Members and/or 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 be the custodian of the Corporate seal, and affix it as directed herein, or by resolution passed by the Board of Directors and/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 the same. 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.

Article IV

Directors and officers may be removed from office in the following manner:

A. Any shareholder, director, or officer may present a complaint against a director or officer by filing same, in writing, with the Secretary-Treasurer of the Corporation. A complaint submitted by a shareholder must be accompanied by a petition signed by at least ten (10)% of the shareholders of the Corporation.

B Such removal complaint shall be voted upon at the next special or regular called meeting of the membership following twenty (20) days and shall be enacted by a 2/3 vote of the shareholders present provided a quorum is present..

C. Upon receipt of the complaint by the Secretary-Treasurer, the Director or Officer against whom the complaint has been lodged shall be informed in writing of said complaint twenty (20) days prior to the date of the meeting. The complainant shall have opportunity at said meeting to be heard in person or represented by counsel, and to present witnesses. The person or persons presenting such charges shall have the same opportunity.

D. Removal of a director or officer will result in a vacancy to be immediately filled under the terms of Article IV, Section 1, paragraph 2 of these By Laws.

E. The President of the Board shall preside at any meeting of the Members convened to consider removal of Director or Officer. In the event the President is the subject of the complaint, the Vice-President shall preside, then the Secretary-Treasurer, and finally a Director chosen by the remaining directors.

F. Any meeting convened to consider the removal of an Officer or Director shall be conducted in accordance with the procedures prescribe by the Credentials Committee ...

established under the provisions of Article XI. The President, Vice President, or other Officer or Director of the Corporation shall not be prevented from continuing to act in that capacity because their removal is the subject of the meeting. Any director so removed shall not be precluded from election to a position in subsequent Corporate elections.

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 agenda as required by the Texas Open Meeting Act regulations by furnishing the notice to the County Clerk's Office in the Matagorda County Courthouse, and by posting such notice in a place readily convenient to the public in its administrative office at all times for at least seventy two (72) hours preceding the scheduled time of the meeting. Such notice shall specify the date, hour, time, place, and subject(s) of each meeting held by the Board of Directors.

Section 2. 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 President, or presiding officer, shall limit the time of discussion to ten (10) minutes. Items requiring more lengthy discussion or deliberation shall be placed on the agenda of the next regular meeting to assure action may be properly taken.

Section 3. The Board of Directors shall ensure that all meetings comply with the requirements of the Texas Open Meetings Act GC 551.071, Texas Revised Civil Statutes, including any subsequent amendment thereto. In the event of any conflict between the provisions of these By Laws and the requirements of the Open Meetings Act, the provisions of the Open Meetings Act shall prevail.

Section 4. There shall be a regular meeting of the Members annually, on the third (3rd) 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, and shall address and mail the notice to each Member at the address last known to the ...

Corporation. Failure to hold 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 vote entitled to be cast, represented in person or by proxy, shall constitute a quorum for the transaction of business.

Section 5. 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 meetings; validate proxies, determine presence of quorum for conducting the meeting, design ballots, canvas all votes, and institute proper recording of the results of such elections.

Section 6.A. 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 By Laws, 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 By Laws.

B. Prior to convening any special meeting of the Members, other than specifically provided for in Section 6, 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 By Laws. Such notice shall specify the time, place, and purpose of the meeting.

Article VI

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, and upon compliance with the conditions of water and/or sewer service as provided for in the Corporation's Tariff. Membership shall not be denied because of the applicant's race, creed, citizenship, or national origin. It is the intent of the Corporation to provide service on a non-discriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit.

Section 2. Payment of the membership fee, or transfer of Membership, shall entitle an applicant to qualify for access to one (1) connection to the system, or a transferee to continue to qualify for service to an existing connection. A person may own more than one membership, but each Member shall be entitled to only one (1) vote in elections involving the Membership regardless of the number of memberships owned.

Section 3. The Membership fee may be revised by the Board of Directors as they may determine to be appropriate. Such fees shall be maintained in a separate fund to assure availability to the membership.

Section 4. Notwithstanding the ownership of 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 and/or sewer service shall be discontinued and the obligation to pay for water and/or sewer shall terminate except as for the minimum charge for the current month and the charge for water and/or sewer used during the current month, and except as for any unpaid prior amounts due the Corporation.

Section 4. Membership certificates shall be in such form as shall be determined by the Board of Directors.

Article VII

Section I. In order to insure that business that is 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 (2nd) 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 (2nd) degree by consanguinity.
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, Membership, or another right of participation under this section does not entitle the transferee to water and/or sewer service unless each condition for water and/or sewer service is met as provided in the Corporation's published rates, charges, and conditions of service. Water and/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 by received 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 and/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 and/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 tariffs, 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 and/or sewer service is requested, subject to compliance with the conditions for water and/or service prescribed by the Corporation's published rates, charges, and conditions of service.

Section 2. Notwithstanding anything to the contrary herein above 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 cost of such Membership. No gain or profit shall ever be realized from the sale or transfer of a Membership. It is herein expressly understood, however, that the Corporation reserves the right to require transferred stock to be canceled and a new certificate issued at the current prevailing cost of Membership if the original stock was issued at an original or lesser rate. Credit for the original or lesser rate shall be applied to the new certificate cost, and the balance paid prior to issuance.

Section 3. 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 Membership shall be deemed to be vested in those persons who are the record owners of Memberships as evidenced by the current Membership book on fifteenth (15th) day of the month preceding the month of the date upon which the action requiring such determination is to be taken.

Article VIII

Section I. 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 and/or sewer 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 operation, maintenance, replacement and repayment on indebtedness for the year's operations, but this provision shall not operate for the benefit of any third (3rd) party creditor without a favorable vote of the majority of the Members.

Section 2. In the event a Member should surrender his Membership certificate properly endorsed to 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 Membership certificate.

Article IX

Section 1. The Corporation shall keep correct and complete books and records of accounts 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 Matagorda, Texas.

Section 2. 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 balance, a statement of functional expenses, and the balance sheet for all funds or such financial reports. Such reports shall be approved by the Board of Trustees.

Section 3. With prior written request, corporation records, books, and annual reports subject to exceptions provided by the Texas Open Records Act Art. GC 551.071, Texas Revised Civil Statutes, 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 Open Records Act and the provisions of these By Laws, the provisions of the Open Records Act shall prevail.

Article X

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, 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.