

MILITARY HIGHWAY WATER SUPPLY CORPORATION

PROCEDURES FOR CONDUCTING ANNUAL OR SPECIAL MEMBERSHIP MEETINGS AND ELECTION OF DIRECTORS

Adopted by the Board of Directors, this 30 day of November, 2023

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President

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PROCEDURES FOR CONDUCTING
ANNUAL OR SPECIAL MEMBERSHIP MEETINGS
AND
ELECTION OF DIRECTORS

I. ESTABLISHMENT OF POLICIES AND IMPLEMENTATION PROCEDURES

1. Selection of Credentials Committee

The Board of Directors shall establish a standing Credentials Committee of which the Secretary-Treasurer shall be the chairperson. Each year, at the time all officers are elected, the Board of Directors shall appoint at least two (2) other members of the Board, who are not standing for reelection at the next annual membership meeting, to serve on the Credentials Committee. Should the individual holding the office of Secretary-Treasurer be running for re-election, the Board shall appoint any other Board member not currently running for re-election to serve as chairperson of this committee.

This committee will 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 Board approval a person to fill the role of independent Election Auditor; (3) by ensuring that the election procedures are implemented properly; (4) by generating interest among the membership to apply to serve on the board; (5) by verifying candidate applications and petitions for completeness; and (6) by serving other functions as set forth in these procedures.

2. Adoption of Board Resolution Concerning Annual Meeting Business

The Board of Directors will adopt a Resolution stating and supporting the business to be brought before the Membership at the Annual (or Special) Meeting based upon recommendations by appropriate committees.

3. Adoption of Procedures for Conducting Annual or Special Membership Meeting

At least 90 days before the date of the annual or special meeting that includes a director election, the Board of Directors shall review and adopt written procedures for conducting an Annual (or Special) Membership Meeting and Election of Directors in accordance with Sections 67.007, 67.0052, 67.0053 and 67.0054 of the Water Code. The procedures shall include the following: (1) process of notification to eligible members of the proposed agenda, location, and date of the meeting; (2) director election procedures, including candidate application procedures; approval of the Ballot form to be used; and validation of eligible voters, Ballots, and election results.

4. Selection of Election Auditor

The Board of Directors shall select an independent Election Auditor not later than the 30th day before the scheduled date of an annual or special membership meeting that includes a director election.

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. The Election Auditor may be a member of the Corporation.

The Election Auditor will (1) oversee the validation of Ballots; (2) receive and count the Ballots before the annual meeting; (3) report the results of the election; and (4) serve other functions as set forth in these procedures.

5. Qualifications for Election or Appointment as Director

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 if applicable; and (2) a member of the Corporation.

In addition to the qualifications prescribed above, a person is not qualified to serve as a director if the person: (1) has been determined by a final judgement of a court exercising probate jurisdiction to be: (a) totally mentally incapacitated; or partially mentally incapacitated without the right to vote; or has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.

If the Board determines that a person serving as a director does not have the qualifications prescribed above, 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 above.

6. Application for Election as Director

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 person's name and contact information; (2) the director position sought if applicable; (3) biographical information about the person; (4) a statement of the person's qualifications, including a statement that the person meets the required minimum qualifications to serve as a director; (5) the person's written consent to serve, if elected; and (6) a petition, signed by no fewer than the lesser 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.

At least 75 days before the date of a membership meeting that includes a director election, the Corporation will notify all members of their opportunity to submit application to serve as a Director. The Corporation shall make available director candidate application forms at the Corporation's main office and shall provide applications by mail or electronically on request.

The application must be filed with the Corporation not later than 4:45 PM of the 45th day before the date of the meeting. Upon receipt of each application, the Corporation shall designate an employee or the Credentials Committee to review the application for completeness, including whether the signatures on the petition represent a valid membership. Candidates will be notified of any defects in the application and petition and will be given the opportunity to cure the defects if the completed application is filed prior to 12:00 noon of the 45th day before the date of the meeting. Applicants notified of any defects must cure them and resubmit their application and/or petition no later than 4:45 PM of the 45th day before the date of the meeting in order to be included on the ballot.

At 4:55 PM of the last date to file an application for a director's position, the Election Auditor (or his representative) will hold a random drawing for placement of the candidates' names on the Ballot. The drawing will be held at the Corporation's office. At this time the Corporation will determine whether the candidates are unopposed.

7. Adoption of Official Ballot

Prior to any Regular Annual (or Special) Membership Meeting, the Board shall adopt an official election Ballot. This election Ballot shall be distributed to all voting members of record of the Corporation as defined in Article IX of the Bylaws as part of the meeting packet, and the Ballot shall be used for the purposes of establishing a quorum and for voting for election to the Board of Directors, amendment of the Articles of Incorporation or Bylaws, or as otherwise set out thereon. Such Ballot form

shall be the only approved ballot for the voting to take place at such membership meeting. Incomplete, unclear, or unsigned Ballots will not be counted. Only the Official Ballot Form will be recognized as valid.

IF A REPLACEMENT BALLOT IS NEEDED, THE MEMBER (OR AUTHORIZED REPRESENTATIVE) MUST MAKE WRITTEN REQUEST FOR ANOTHER BALLOT EITHER BY APPEARING AT THE CORPORATION'S OFFICE OR BY FIRST CLASS MAIL. IF A REPLACEMENT BALLOT IS REQUIRED, THE MEMBER IS RESPONSIBLE FOR OBTAINING, COMPLETING, AND RETURNING THE BALLOT BY THE DATE AND TIME SPECIFIED.

A statement shall be included on the Ballot that it is exempted from public disclosure until after the date of the relevant election, as provided in Section 67.007 of the Texas Water Code.

The Official Ballot will be used to cast the member's vote on each issue requiring a vote of the members at the Annual (or Special) Membership Meeting whenever the member anticipates not being able to attend the Annual (or Special) Membership Meeting.

The Director election Ballot must include: (1) the number of directors to be elected; and (2) the names of the candidates for each position.

8. Election Procedure

A member may vote: (1) in person at the annual meeting; (2) by mailing a completed Ballot to the Election Auditor (or to the Corporation's main office), which must be received not later than 12:00 Noon on the last business day before the date of the annual meeting; or (3) by delivering a completed Ballot to the Corporation's main office (between 8:15 AM and 4:45 PM, regular office hours) not later than 12:00 Noon on the Friday prior to the Membership annual meeting or special meeting.

The Corporation will place the sealed Ballot envelopes delivered to it in secure box(es) in a secure place at the Corporation Office. Each box will be locked with a key held by the Election Auditor. The Election Auditor will take possession of the Ballots periodically during the voting period for validation and counting prior to the Annual (or Special) Membership Meeting. The Ballots will remain in the custody of the Election Auditor until the end of the Election.

The independent Election Auditor will receive and count the Ballots voted at the annual meeting before the annual meeting is adjourned. The independent Election Auditor shall provide the Board with a written report of the election results.

Either husband or wife may vote the Ballot, but only one vote per member

may be cast regardless of number of memberships owned by both. Only one officer or partner may vote a Ballot for memberships owned by a corporation, limited liability company or partnership. Such officer or partner must have authority to vote the interests of the corporation, limited liability company, or partnership.

NOTE: *ONLY ONE BALLOT MAY BE CAST BY ANY MEMBER REGARDLESS OF THE NUMBER OF MEMBERSHIPS OWNED.*

For each of the director's positions available, the candidates who receive the highest number of votes are elected to fill those positions. If there is more than one vacant director position to be filled, those candidates receiving the greater amount of votes are elected. 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 the same position tie for the highest number of votes for that position, those candidates shall draw lots to determine who is elected.

The Board will adopt necessary rules or bylaws to implement this section, including rules or bylaws to ensure the fairness, integrity, and openness of the election process.

II. NOTICE OF ANNUAL OR SPECIAL MEETING TO MEMBERS

1. Meeting Notice and Packet Details

Not later than the 30th day before the date of the annual meeting or special meeting that includes a director election, the Corporation shall mail to each voting member of record a meeting packet, which will contain: (1) written notice of meeting and agenda; (2) Official Ballot form; and (3) biographical information about each candidate for director, including a statement of each candidate's qualifications as provided in the candidate's application; (4) a detailed explanation of any other issue that the members are being asked to vote on and if bylaws changes are being proposed, a copy of the specific changes; (5) an envelope for members to return the Ballot that includes the member's return address, member's account number, and the address where the Ballots are to be being sent.

The meeting notice shall clearly inform members that only the Official Ballot Form will be used in conducting any election at the Membership Meeting.

2. Listing of Agenda Items in Notice of Meeting

The Notice of the Annual (or Special) Membership Meeting shall present the meeting agenda. Agenda items, besides election of Directors, can include any proposed changes in the Corporation By-Laws or Articles of Incorporation (to include the actual text of the proposed change and an explanation of that change); approval of previous minutes; presentation of audit or financial reports; reports of construction projects for extensions or improvements to system; any other pertinent reports; any special speakers with the topics to be discussed; and a time for member comments.

No motion may be accepted or action taken on issues brought up at the meeting from the floor. All action items must be included on the posted agenda. Members may request that items be placed on the agenda for future annual or special membership meetings. This limitation is required by the public notice requirements of the Texas Open Meetings Act and is not an attempt to limit any member's participation in the meeting or access to the membership.

3. Voting Roster

The Corporation shall prepare an alphabetical list of the names of all voting members who are entitled to vote as required by Section 22.158 of the Business Organizations Code. The list must show the address of each voting member.

When 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 recorded owners of Memberships on the 15th day of the month preceding the month of the date upon which the action requiring such determination is to be taken. For purposes of the 2024 Annual Membership Meeting, the record date shall be as of February 15, 2024.

Not later than two (2) business days after the date notice is given of the meeting and the meeting packets are sent to the voting members, and continuing through the day of the meeting, the Voting Roster (list of voting members) will be available for inspection at the Corporation's principal office by any member entitled to vote at the meeting for the purpose of communication with other members concerning the meeting. 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 time during the meeting, including any adjournments thereof.

A member is entitled to only one vote regardless of the number of memberships the member owns. 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 (or other legal entity).

4. Open Meeting Notice

The Corporation will post the Meeting Notice and Agenda in accordance with the Open Meetings Act at least 72 hours in advance of any member meeting.

III. CONDUCTING THE ANNUAL (OR SPECIAL) MEMBERSHIP MEETING

1. Establishment of Quorum

The President of the Board, or most senior officer of the Board of Directors present at the meeting, shall serve as Presiding Officer at the Annual (or Special) Membership Meeting. Upon the Presiding Officer calling the Annual (or Special) Membership Meeting to order, the first order of business is to establish a quorum for conducting the Meeting.

A quorum for the transaction of business at a meeting of the members is a majority of the members present. In determining whether a quorum is present, all members who mailed or delivered Ballots to the independent Election Auditor or the Corporation on a matter submitted to a vote at the meeting are counted as present.

Presiding Officer will announce the total numbers of members present at the meeting and the total number of Ballots received prior to the meeting. Presiding Officer will then announce that a quorum of the membership is present and that the meeting may proceed.

2. Voting in Person at the Annual Meeting

A member attending the annual meeting (or special meeting that includes a director election) will check in with the Election Auditor, who will determine 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 his or her vote or submit another Ballot.

A member arriving after a quorum has been established may still vote as long as the Election Auditor has not completed the counting process and submitted the report of the election results.

3. Management Reports and Information

Financial and Managerial Reports will be presented to the membership to report on the condition of the Corporation.

4. Input from Membership

Any person (s) wishing to make comments to the Membership must indicate this fact by filling out a Member Comment Request Form providing name, account number, address, telephone number, and topic to comment on and presenting the form to the Presiding Officer before the meeting begins. Member Comment Request Forms will be available 30 minutes prior to the Membership meeting.

Comments will be heard during the Audience portion of the Meeting Agenda. The Presiding Officer will recognize each party at the appropriate time during the meeting. No single presentation shall be longer than two (2) minutes.

If there is an organized group that wishes to speak, it shall select a spokesperson and the group will be allowed five (5) minutes for its presentation.

If three or more people are present who wish to speak on the same issue or topic, then ten (10) minutes will be allowed as a maximum time for the topic to be discussed. As many people may speak during those ten (10) minutes as may desire to do provided the topic discussion or presentation does not go beyond ten (10) minutes.

Total time allocated to Public Comments during the meeting will be limited to one (1) hour. The Presiding Officer will monitor time allocations.

5. Posted Agenda

No motion may be accepted or action taken on issues brought up at the meeting from the floor. All action items must be included on the posted agenda. Members may request that items be placed on the agenda for future annual or special membership meetings. This limitation is required by the public notice requirements of the Texas Open Meetings Act and is not an attempt to limit any member's participation in the meeting or access to the membership.

6. Election Results

The Election Auditor will report the election results for director positions, amendments to Bylaws, and any other proposition voted on by the members and provide a written report to the Board. All results are final.

The Presiding Officer will announce the results before adjournment of the meeting.

IV. POST MEETING PROCEDURES

1. Retention of Meeting Records

All Ballots, Membership lists, etc. should be retained by the Corporation as a matter of record for three (3) years. Should the meeting results be challenged, the information will be on file to support the results.

2. Independent Election Auditor's Report to the Board of Directors

The independent Election Auditor shall provide the Board with a written report of the election results.

3. President's Report to Membership

The President of the Board of Directors should report the results of the Annual Meeting to the Membership through a newsletter within ninety (90) days of the meeting date.

4. Contesting Election

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

TIMELINE FOR EVENTS LEADING TO 2024 ANNUAL MEMBERSHIP MEETING

at least 6 MONTHS	October 26, 2023	Procedures are submitted to Board for review
at least 120 DAYS	November 30, 2023	Election Procedures approved by Board
at least 120 DAYS	November 30, 2023	Adopt Resolution for Annual Meeting Business
at least 90 DAYS	November 30, 2023	Board selects independent election auditor
at least 75 DAYS prior	January 22, 2024	Corporation notifies members of opportunity to submit application
at least 45 DAYS prior	February 22, 2024	Board finalizes agenda for meeting
45 DAYS	February 22, 2024	Deadline for submission of Director Election Application
30 DAYS	March 8, 2024	Member's notice of meeting and Ballot is mailed
at least 72 HOURS	April 1, 2024	Official agenda is posted in accordance with Open Meetings Act
BUSINESS DAY PRIOR	April 5, 2024	Deadline for submission of Ballots at 12:00 Noon
DAY OF MEETING	April 7, 2024	Membership Meeting convened and election conducted
AFTER MEETING	April 8, 2024	Notice of Results sent to membership