BY-LAWS
OF
GOFORTH SPECIAL UTILITY DISTRICT

WHEREAS, by Act of the 80th Session of the Texas Legislature (2007), codified at Chapter 7212, Special District Local Laws Code (the "Act") the Goforth Special Utility District (the "District"), was created as a conservation and reclamation district authorized by the terms and conditions of Article XVI, Section 59 of the Texas Constitution and, except as limited by the Act, the District has 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 creation of the District was confirmed by an election held on December 15, 2007; and

WHEREAS, the area of the District was previously operated for many years by the Goforth 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 Goforth 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.

BY-LAWS

Article I.
Principal Office & Meeting Places

1.1 The District's principal office will be located at 8900 Niederwald Strasse, Niederwald, TX 78640 and the official mailing address is 8900 Niederwald Strasse Niederwald, TX 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 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.
Seal

2.1 The District shall have a seal to be used in attesting the official acts of the board of directors and officers of the District, or as the board may direct. An imprint of the official seal is placed on these by-laws to evidence its identification:

(seal imprint)

The seal shall be in the custody of the Secretary of the District and located at the principal office of the District with the official papers of the District. The secretary may authorize its proper use by other officers of the District.

Article III.
Board of Directors

3.1 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)

3.2 The board shall convene when a meeting is called by the President or by a majority of its members. Regular monthly meetings of the directors shall be held on the last Wednesday of each month.

3.3 Notice of meetings of the board shall be given as set forth in the Open Meetings Act, Chapter 551, Government Code. Neither failure to provide notice of a regular meeting nor an insubstantial defect in notice of any meeting shall affect the validity of any action taken at the meeting.

Notice to members of the board shall be given in writing with a copy of the proposed agenda of items to be considered by the board at least three days in advance of regular meetings. In case of special meetings called by the president, 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, or hand-delivered notice. Neither failure to provide notice to a director of a regular meeting nor any insubstantial defect in notice of any meeting shall affect the validity of any action taken at the meeting.

3.4 The board is comprised of seven members. Four members shall constitute a quorum of directors for the transaction of all business of the District.

3.5 Approval of matters brought before the Board shall be deemed approved by the affirmative vote of a majority of the entire membership of the Board (e.g., affirmative vote of four (4) members) at any meeting duly constituted in accordance with law and with a quorum

present. (See Water Code Section 49.053). The president of the board is authorized to vote on every issue and is not limited only to tie-breaking votes.

3.6 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)).

3.7 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.

3.8 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.

3.9 All vacancies on the board and in other offices shall be filled for the unexpired term by the appointment of the board. If the number of directors is reduced to fewer than a majority, the vacancies shall be filled by the Texas Commission on Environmental Quality (TCEQ or Commission) and such persons appointed shall serve for the unexpired term of the director he or she is replacing.

3.10 To be qualified to serve as a director, a person must be:

a. at least 18 years old;
b. a resident citizen of this state; and
c. either own land in the District, be a user of the facilities of the District, or be a qualified voter of the District. (Water Code Section 65.102)

3.11 The board by a unanimous vote of its remaining members may remove a board member only if that board member has missed one-half or more of the regular meetings scheduled during the prior 12 months, subject to appeal as set out in the Texas Water Code.

Article IV.
Officers

4.1 The board shall elect a President, Vice-President, Secretary and Treasurer and any other officers or assistant officers as the board deems necessary. One director may serve in more than one office as the board may from time to time elect. The President, however, may not serve as Secretary. The board shall elect its officers after each director's election at its first meeting following such election.

4.2 President. The president is the chief executive officer of the District, presides at all meetings of the board, and shall execute all documents on behalf of the District unless the board by resolution authorizes the general manager or other employee of the District to execute a document or documents on behalf of the District.

4.3 Vice-President. The vice-president shall act as president in case of the absence or disability of the president.

4.4 Secretary. The secretary is responsible for seeing that all records and books of the District are properly maintained and safely protected at the District's principal offices and may attest the president's or other officer's signature on documents when such other officers are duly authorized to sign.

4.5 Treasurer. In conformity with the control and specific authority and direction of the board and its instructions and delegations, the treasurer will have charge and custody of, and be responsible for, all the District's funds and securities; receive and provide records and receipts for moneys due and payable to the District from all sources; deposit or cause to be deposited all funds in District's name in banks or other depositories as the board or president shall direct; write checks and disburse funds on behalf of the District to pay its obligations, providing for the signatures of the treasurer and the president or vice-president, jointly, or as may be prescribed by other specific action of the board; maintain the District's financial books and records; prepare financial reports at least annually and as often as the board requires; if requested by the board, give a bond for faithfully discharging his or her duties in a sum and with a surety as determined by the board.

Article V.
Closed Executive Sessions of the Board of Directors

5.1 The board may close any meeting with proper notice given and in compliance with the law but only for purposes allowed under the provisions of the Open Meetings Act, as amended. The board shall operate fully within the spirit of the public policy favoring open meetings and decide to close its meeting only when it is obvious to the board that the best interest of the District will be served and only when specifically authorized by the provisions of the law.

Article VI.
Minutes and Records

6.1 The secretary shall cause minutes to be kept of all meetings of the board of directors. The board shall keep a complete account of all its meetings and proceedings and preserve its minutes, contracts, records, notices, accounts, receipts, and other records in a safe place. All such records are the property of the District and are subject to the open records law, Chapter 552, Government Code, as amended.

6.2 The preservation, microfilming, destruction, or other disposition of the records of the District is subject to the requirements of Chapter 201, Local Government Code, and to the rules adopted under that Chapter, and as such code provisions may be amended from time to time.

6.3 A director may require that his or her own vote on any action of the board be specifically recorded in the minutes, and any director may require that the vote of each other director regarding any action of the board be recorded as to how each member voted.

6.4 Absent specific direction from the board, the secretary will determine the extent to which the minutes contain statements and discussions of the board members in the official minutes or

be limited to official actions taken and the recorded vote. The board's discretion and pleasure as to the format of the minutes and the matters contained shall dictate.

Article VII.
Depository and Investments

7.1 The board shall designate (by order or resolution) one or more banks or savings associations within the state to serve as the depository for the funds of the District. The board shall not be required to advertise or solicit bids in selecting its depositories.

7.2 To the extent that funds in the depository banks or savings associations are not insured by the Federal Deposit Insurance Corporation, they shall be secured in the manner provided by law for the security of funds by Chapter 2257, Government Code (Public Funds Collateral Act) as amended.

7.3 All District deposits and investments shall be governed by Subchapter A, Chapter 2256, Government Code (Public Funds Investment Act) as amended, and may provide that an authorized representative of the District may invest and reinvest the funds of the District and provide for money to be withdrawn from the appropriate accounts of the District for the investments on such terms as the board considers advisable.

7.4 Checks, drafts, and other orders for the payment of District funds shall be signed as provided by resolution of the board.

Article VIII.
Fiscal Year

8.1 The fiscal year of the District is the calendar year ending December 31st. The board may change the fiscal year by formal board resolution in which case it shall give notice to the executive director of the TCEQ. The District may not change its fiscal year more than once in any 24 month period. Notice of all such changes shall be made within 30 days of the date of resolution.

Article IX.
Indemnification

9.1 To the full extent permitted by the laws and public policy of the State of Texas, and without waiving any and all governmental, official, sovereign, constitutional or statutory immunities, limits on liability, limited liability under the Texas Tort Claims Act or similar provisions affecting and protecting directors, officers, employees, committees and volunteers, the District agrees to provide indemnity through insurance coverage or otherwise, at its option, to the directors, officers, committee members, employees or agents of the District:

a. as a result of his or her being named as a defendant or respondent in any proceeding due to that person's actions or omissions within the scope of his or her official capacity with the District;

b. if such person acted in good faith and reasonably believed that his or her conduct was in the District's best interest. The District will not indemnify a person who is found liable to the District or to another on the basis of improperly receiving a personal benefit from the District;

c. the indemnity shall be in such amounts and within such limits as provided by such policy of directors and officers liability insurance as may be procured and maintained in force coupled with such protection and indemnification as provided under state law, as aforesaid, and includes indemnity against judgments, penalties, fines, settlements, and reasonable expenses (including attorney's fees) actually incurred in connection with the proceeding.

Article X.
By-Laws Conformity with State Law

10.1 The District is a governmental entity subject to the provisions of the Texas Water Code, Government Code, Local Government Code, Civil Practices and Remedies Code, the Texas Constitution and general statutes and rules promulgated under authority of such codes and statutes. To the extent of any conflict between these by-laws and any such state law provision, the by-law in conflict shall be deemed of no force or effect as long as such conflict exists. The remaining by-laws shall continue unaffected so long as they remain legally enforceable.

Article XI.
Amendments

11.1 These by-laws may be amended or revised only at a regular meeting of the Board of Directors by an affirmative vote of four (4) members of the board, provided that the subject of the proposed amendment has been submitted in writing to the directors at least five days in advance of such meeting.

Adopted this 20th day of July, 2011.

Debbie Sandoval
President, Goforth Special Utility District

Attest:

Lesley Simpson
Secretary, Goforth Special Utility District

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