POSSUM KINGDOM WATER SUPPLY

Proposed amendments to bylaws of Corporation

1. **Conflict of Interest** This amendment establishes a clearer, more direct process to identify and prevent conflicts of interest—or the appearance of them—for candidates and board members. It ensures that board decisions are made solely in the best interests of the Corporation. The goal is to promote transparency and protect the organization's integrity.

2. **Election of Officers** The amendment changes the timing of officer elections for the new board to occur at the first regular meeting following the Annual Meeting. Currently, the bylaws require officers to be elected at the April regular meeting, which is the second meeting of the new board. This adjustment simply aligns the process more logically with the board's annual cycle.

3. **Removal of Board Member** This amendment adds a practical mechanism allowing the board to remove a member for cause when necessary. The current bylaws require a quorum of 10% of the entire membership for any removal vote, which is unrealistic and often unachievable. The change enables the board to address issues in a timely and responsible manner without relying on an impractical membership vote.

4. **Repeal of USDA Requirements** Certain bylaw provisions were added in the past to comply with USDA loan requirements. Since the loan has now been fully paid off, those additional requirements are no longer necessary or relevant. This amendment repeals them to streamline and update the bylaws.

5. **Spending Limit** The current bylaws limit the General Manager's approval authority for normal business transactions to $10,000 without board pre-approval. Due to inflation, this amount's purchasing power has decreased by about 43% since it was set. The amendment removes the fixed dollar limit from the bylaws and authorizes the board to adjust it as needed through regular board action, restoring appropriate flexibility.

The full language of each proposed amendment follows this page.

Proposed Amendment 1

to the Bylaws of

Possum Kingdom Water Supply Corporation

Conflict of Interest

WHEREAS, the Board of Directors of Possum Kingdom Water Supply Corporation (the "Corporation") desires to amend the Bylaws to require review by the Credentials Committee of all prospective Directors to determine whether their service would create an inherent or perceived conflict of interest;

WHEREAS, such amendment strengthens ethical governance and eligibility standards under Article IV by utilizing and enhancing the existing Credentials Committee process for reviewing nominee eligibility;

NOW, THEREFORE, the Bylaws of the Corporation are hereby amended by adding the following new Section 6 to ARTICLE IV:

ARTICLE IV Section 6. Credentials Committee Review for Conflicts of Interest.

The Credentials Committee shall review and rule on whether any prospective Director's service on the Board would create an inherent or perceived conflict of interest. If the Credentials Committee determines that such a conflict exists, the prospective member shall be disqualified from serving as a Director. An adverse ruling by the Credentials Committee may be appealed to the full Board of Directors.

Each candidate for Director shall disclose in writing to the Credentials Committee any interest or relationship that could reasonably create a conflict of interest. Failure to make such disclosure may result in disqualification or removal under Article IV, Section 2.

All other provisions of ARTICLE IV shall remain unchanged and in full force and effect.

If any portion of this amendment is found to be in conflict with governing statutes, the remainder of this amendment shall remain in full force and effect.

This amendment shall become effective upon adoption by a majority vote of the Members at a regular or special meeting of the Membership, in accordance with the procedures for amending the Bylaws as provided in Article XX.

Adopted this 14th day of March 2026, by the Membership of Possum Kingdom Water Supply Corporation.

_____ Sue Cathy, President

_____ Randal D. Burdick, Secretary/Treasurer

Attested By: _____ Date: _____

Proposed Amendment 2

to the Bylaws of

Possum Kingdom Water Supply Corporation

Election of Officers

AMENDMENT TO THE BYLAWS

WHEREAS, the Board of Directors of Possum Kingdom Water Supply Corporation (the "Corporation") desires to amend the Bylaws to change the timing of the annual election of officers to occur at the first regular meeting of the Board following the annual meeting of the Members, in order to ensure that newly elected Directors can participate in the selection of officers and to better align with the Corporation's governance practices;

WHEREAS, such amendment is consistent with the Corporation's existing provisions for Director elections and Board meetings under Article IV, Section 1, and Article V, and promotes the business of the Corporation and serves the interests of the Membership;

NOW, THEREFORE, the Bylaws of the Corporation are hereby amended by revising ARTICLE IV, Section 1, as follows:

The existing text in ARTICLE IV, Section 1, that reads:

"Upon issuance of the Charter and annually thereafter on the date of their regular April monthly meeting, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer."

is hereby deleted and replaced with the following:

"Upon issuance of the Charter and annually thereafter at the first regular meeting of the Board of Directors following the annual meeting of the Members, the Board of Directors shall elect a President, a Vice-President and a Secretary-Treasurer."

All other provisions of ARTICLE IV, Section 1, shall remain unchanged and in full force and effect.

This amendment shall become effective upon adoption by a majority vote of the Members at a regular or special meeting of the Membership, in accordance with the procedures for amending the Bylaws as provided in Article XX.

Adopted this 14th day of March 2026, by the Membership of Possum Kingdom Water Supply Corporation.

_____ Sue Cathy, President

_____ Randal D. Burdick, Secretary/Treasurer

Attested By: _____ Date: _____

Proposed Amendment 3

to the Bylaws of

Possum Kingdom Water Supply Corporation

Removal of Board Member

WHEREAS, the Board of Directors of Possum Kingdom Water Supply Corporation (the "Corporation") desires to amend the Bylaws to provide an additional, more practical mechanism for the Board to remove a Director or Officer for cause, including violations of the Conflict of Interest Policy and a Code of Conduct, as the existing removal procedures under Article IV, Section 2 are often unrealistic and impractical for timely governance needs;

WHEREAS, such amendment will promote accountability, ethical standards, and effective Board operations while providing due process, and is consistent with the Board's authority under the Texas Business Organizations Code and the Corporation's existing policies under Article IV, Section 4;

NOW, THEREFORE, the Bylaws of the Corporation are hereby amended by adding the following new Section 2.1 to ARTICLE IV:

ARTICLE IV Section 2.1. Removal of Directors or Officers by the Board for Cause.

In addition to the removal procedures provided in Section 2 and Article V, Section 2 of these Bylaws, a Director or Officer may be removed from office by the Board of Directors for cause. For purposes of this Section, "cause" includes, without limitation, violation of the Corporation's Conflict of Interest Policy, violation of the Code of Conduct for Directors and Officers (as adopted and amended from time to time by the Board), breach of fiduciary duty, or any conduct that substantially impairs the Director's or Officer's ability to perform their duties or harms the Corporation.

Proceedings for removal under this Section shall be initiated by a written statement of charges filed by any Director or Officer with the Secretary-Treasurer. Upon filing of such charges, the Secretary-Treasurer shall call a special meeting of the Board of Directors and provide the accused with at least twenty (20) days' written notice of the meeting and the charges. The accused shall have the right to be heard in person or by counsel and to present witnesses at the meeting. The meeting shall be conducted in accordance with the Texas Open Meetings Act.

Removal shall require an affirmative vote of at least two-thirds (2/3) of the Directors then in office, excluding the Director subject to removal if applicable. If removal is approved, it shall take effect immediately and shall also vacate any office held by the removed person. A vacancy created by such removal shall be filled in accordance with Section 1 of this Article.

This Section shall not limit the rights of the Members to remove a Director or Officer pursuant to Section 2.

All other provisions of ARTICLE IV shall remain unchanged and in full force and effect.

If any portion of this amendment is found to be in conflict with governing statutes, the remainder of this amendment shall remain in full force and effect.

This amendment shall become effective upon adoption by a majority vote of the Members at a regular or special meeting of the Membership, in accordance with the procedures for amending the Bylaws as provided in Article XX.

Adopted this 14th day of March 2026, by the Membership of Possum Kingdom Water Supply Corporation.

_____ Sue Cathy, President
_____ Randal D. Burdick, Secretary/Treasurer

Attested By: _____ Date: _____

Proposed Amendment 4

to the Bylaws of

Possum Kingdom Water Supply Corporation

Repeal USDA Requirements

WHEREAS, the Board of Directors of Possum Kingdom Water Supply Corporation (the "Corporation") desires to repeal all provisions in the Bylaws that were incorporated or modified to satisfy requirements imposed by the United States Department of Agriculture Rural Development, Rural Utilities Service (USDA RUS) while the Corporation was encumbered under such loans;

WHEREAS, the Corporation is no longer indebted to USDA RUS and wishes to remove these outdated loan-specific restrictions to allow greater flexibility in financial oversight and governance while maintaining prudent practices;

NOW, THEREFORE, the Bylaws of the Corporation are hereby amended by revising ARTICLE III as follows:

The existing text in ARTICLE III that reads (in relevant part):

"The position of the Secretary-Treasurer, and other Board positions and/or employees 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. The fidelity bond coverage amount shall approximate the total annual debt service requirements for all USDA Rural Development, Rural Utilities Service (RUS) loans and be evidenced by a position fidelity schedule bond as acceptable to USDA Rural Development, RUS, or its successor agencies and assigns."

is hereby deleted.

This amendment is inclusive of all USDA RUS loan-specific language and repeals all changes to any provisions in the Bylaws that were induced or influenced by RUS requirements, including but not limited to insurance, restricted or reserve funds, and amendment consent clauses.

All other provisions of ARTICLE III shall remain unchanged and in full force and effect.

If any portion of this amendment is found to be in conflict with governing statutes, the remainder of this amendment shall remain in full force and effect.

This amendment shall become effective upon adoption by a majority vote of the Members at a regular or special meeting of the Membership, in accordance with the procedures for amending the Bylaws as provided in Article XX.

Adopted this 14th day of March 2026, by the Membership of Possum Kingdom Water Supply Corporation.

_____ Sue Cathy, President

_____ Randal D. Burdick, Secretary/Treasurer

Attested By: _____ Date: _____

Proposed Amendment 5

to the Bylaws of

Possum Kingdom Water Supply Corporation

Spending Limit

AMENDMENT TO THE BYLAWS

WHEREAS, the Board of Directors of Possum Kingdom Water Supply Corporation (the "Corporation") desires to amend the Bylaws to remove the fixed $10,000 purchase approval limit and replace it with a provision allowing the Board to establish and periodically review an adjustable limit, taking into account factors such as inflation and changes in purchasing power, to enable the General Manager to effectively conduct the business of the Corporation without undue operational constraints;

WHEREAS, such amendment is consistent with the Corporation's existing provisions for financial oversight and fiduciary responsibilities under ARTICLE III, and promotes efficient management while serving the interests of the Membership;

NOW, THEREFORE, the Bylaws of the Corporation are hereby amended by revising ARTICLE III, as follows:

The existing text in ARTICLE III that reads:

"All purchases over $10,000 require board approval except for monthly expenses."

is hereby deleted and replaced with the following:

"The Board of Directors shall establish a purchase approval individual limit for expenditures by the General Manager, excluding normal monthly expenses. This limit shall be reviewed and adjusted from time to time as the Board deems appropriate."

All other provisions of ARTICLE III shall remain unchanged and in full force and effect.

If any portion of this amendment is found to be in conflict with governing statutes, the remainder of this amendment shall remain in full force and effect.

This amendment shall become effective upon adoption by a majority vote of the Members at a regular or special meeting of the Membership, in accordance with the procedures for amending the Bylaws as provided in Article XX.

Adopted this 14th day of March 2026, by the Membership of Possum Kingdom Water Supply Corporation.

_____ Sue Cathy, President

_____ Randal D. Burdick, Secretary/Treasurer

Attested By: _____ Date: _____