

Amend CSHB 3335 (Senate committee report) by adding the following appropriately numbered SECTIONS to ARTICLE 1 of the bill and renumbering subsequent SECTIONS of that ARTICLE accordingly:

SECTION \_\_\_\_\_. Subchapter A, Chapter 67, Water Code, is amended by adding Sections 67.0061, 67.0062, and 67.0063 to read as follows:

Sec. 67.0061. DIRECTOR NOMINATIONS. (a) To be listed on the ballot as a candidate for election to a director's position, a person must file with the corporation an application that includes:

- (1) the person's written consent to serve, if elected;
- (2) biographical information about the person; and
- (3) a statement of the person's qualifications,

including:

(A) a statement that the person meets the requirements of Sections 11.002(1), (3), and (4), Election Code; and

(B) whether the person is a member of the corporation.

(b) The application must be filed with the corporation not later than the 70th day before the date of the annual meeting.

(c) The corporation shall make available director candidate application forms at the main office of the corporation.

Sec. 67.0062. BALLOT FOR ELECTION OF DIRECTORS. The secretary-treasurer of the board shall:

(1) have the names of all candidates for each director's position printed on the ballot; and

(2) not later than the 45th day before the date of the annual meeting, mail the ballot to each person who is a member or shareholder, along with a statement of the number of directors to be elected and the biographical information about each candidate, including the candidate's qualifications as provided by each candidate for director in the candidate's application.

Sec. 67.0063. ELECTION OF DIRECTORS. (a) A member or shareholder may vote:

(1) in person at the annual meeting;

(2) by delivering a completed ballot to the member's proxy to submit at the annual meeting;

(3) by mailing a completed ballot postmarked not later than the sixth day before the date of the annual meeting to the office of the independent election auditor selected by the members or shareholders at the preceding annual meeting; or

(4) by delivering a completed ballot to the main office of the corporation not later than noon of the day before the date of the annual meeting.

(b) The corporation shall place each ballot received under Subsection (a)(4) in a sealed envelope and shall deliver the sealed envelopes to the independent election auditor at the annual meeting.

(c) No person, including the corporation, may use any type of incentive to encourage a member or shareholder to authorize the corporation, a committee of the corporation, or another person to act as the member's proxy in casting the vote of the member in a director's election. The corporation may provide incentives to obtain proxies or to encourage attendance at an annual or special meeting of the members solely for the purpose of establishing a quorum.

(d) The independent election auditor shall receive and count the ballots before the annual meeting is adjourned.

(e) For each director's position, the nominee who receives the highest number of votes is elected.

(f) If two or more candidates for a director's position tie for the highest number of votes for that position, those candidates shall draw lots under the direction of the independent election auditor to determine who is elected.

(g) The independent election auditor shall provide the board with a written report of the election results.

(h) The board may adopt rules as needed to implement this section, including rules to ensure the fairness, integrity, and openness of the voting process.

SECTION \_\_\_\_\_. Section 67.007, Water Code, is amended by amending Subsection (b) and adding Subsection (d) to read as follows:

(b) The board shall adopt written procedures for conducting an annual or special meeting of the members or shareholders, which

shall include the following:

(1) notification to eligible members or shareholders of the proposed agenda, location, and date of the meeting;

(2) establishment of a quorum consisting of proxies and the votes of members or shareholders present;

(3) nomination and election procedures;

(4) procedures for selecting an independent election auditor required by Section 67.0063;

(5) approval of the proxy and ballot form to be used;  
and

(6) [~~45~~] validation of eligible voters, proxies, ballots, and election results.

(d) An independent election auditor must be selected at each annual meeting for the following annual meeting at which one or more directors are scheduled to be elected. The independent 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 or independent contractor; or

(2) a director or candidate for director.

SECTION \_\_\_\_\_. Subchapter A, Chapter 67, Water Code, is amended by adding Section 67.0085 to read as follows:

Sec. 67.0085. AUDIT REQUIREMENTS. Subchapter G, Chapter 49, applies to a corporation with 500 or more members in the same manner that it applies to a district under that chapter. For purposes of applying that subchapter to a corporation:

(1) "board" means the board of directors of a corporation; and

(2) "district" means a corporation.

SECTION \_\_\_\_\_. A water supply or sewer service corporation operating under Chapter 67, Water Code, is subject to the audit requirements of Section 67.0085, Water Code, as added by this Act, beginning with the first fiscal year of the corporation that begins on or after September 1, 2009.

SECTION \_\_\_\_\_. The board of directors of a water supply or

sewer service corporation operating under Chapter 67, Water Code, shall select an independent election auditor at least 30 days before the scheduled date of the 2010 annual meeting of the corporation.