

BY-LAWS OF
RAYWOOD WATER SUPPLY CORPORATION

By-laws of Raywood Water Supply Corporation, having been presented to the Board of Directors of said Corporation and duly adopted as follows:

ARTICLE I

The President shall preside at all members' and directors' meetings. The President may, and upon demand of one third (1/3) of the members shall, call a special meeting of the members or directors, and he/she may, and shall, upon demand of one third (1/3) of such directors, call a special meeting of the directors or membership. Such special meeting shall be held upon giving the notice required in Article XII of the by-laws. The President shall perform all other duties that usually pertain to the office or are delegated by the Board of Directors.

ARTICLE II

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

ARTICLE III

The Secretary-Treasurer shall have the custody of all the monies, records, and securities of the Corporation. The Secretary-Treasurer shall keep regular books and shall keep minutes of all meetings of members and directors. All monies of the Corporation shall be deposited by that person 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 have custody of the seal of the Corporation and affix it as directed hereby or resolution passed by the Board of Directors or members. The Board of Directors may appoint an employee as assistant or deputy secretary to assist the Secretary in all official duties.

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 by the Board of Directors. It must be at least equal to the maximum amount of monies on hand at any one time, but shall not be less than \$1,000.00.

ARTICLE IV

Section 1. A person must be a member of the Corporation and at least 18 years old in order to serve as a Director. A person is not qualified to serve as a director if the person has been determined by a final judgement of a court exercising probate jurisdiction to be 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.

Section 2. The Board of Directors shall consist of nine (9) directors, a majority of whom shall constitute a quorum. Upon issuance of the Charter and annually, or as needed, thereafter following the Annual Meeting, the Board of Directors shall elect a President, Vice-President, and Secretary-Treasurer, from among the Directors. The directors shall be elected by the members at the members' regular

meeting provided for in Article XI of the By-laws.¹ The Directors shall be divided into three (3) classes, each to be as near equal in number as possible. The terms of the directors of the first class to expire at the first annual meeting of the shareholders after their election, the term of the directors of the second class to expire at the second annual meeting after their election and the terms of the directors of the third class to expire at the third annual meeting after their election. At each annual meeting after such classification, the number of directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. The directors shall serve without pay, but may be compensated for actual expenses by a majority vote of directors.

Not later than the 60th day after a Director dies, resigns or is determined by the Board to not meet qualifications set forth in Section 1, a successor who meets those qualifications shall be appointed by a majority of the remaining Directors to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the remaining balance of the previously vacated term.

Section 3. Directors may be removed from office in the following manner, except as otherwise provided in Article V. Any Member or Director may present charges against a Director by filing such charges in writing with the Secretary-Treasurer of the Corporation. The charges must be accompanied by a petition signed by at least (10) percent of the Members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the Membership and shall be effective if approved by a vote of 2/3 majority of those voting if a quorum is present. The Director(s) against whom such charges have been presented shall be informed in writing of such charges at least (20) days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges shall have the same opportunity. If the removal of a Director(s) is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A vacancy in the Board thus created shall immediately be filled by a qualified person other than the removed Director(s) upon a vote of a majority of the Members present and voting at such meeting, in accordance with the written annual or special meetings procedures as adopted by the Board. A vacancy in any office thus created shall be filled by the Board of Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 4. The President of the Board or Vice-President shall preside at any meeting of the Members convened to consider removal of a Director as provided under Section 2, unless the President is the subject of charges, in which event the Vice-President shall preside. In the event both the President and the Vice-President are the subject of charges, those Directors who are not the subject of any charges shall appoint one of the other Directors to preside over the meeting. Any meeting convened to consider the removal of a Director shall be conducted in accordance with the procedures prescribed by the Board. The fact that the President, Vice-President or other Officer or Director has been made the subject of charges does not prevent such individual from continuing to act as Officer and/or Director. Any Director that has been removed under the provisions of the Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 5. The Board of Directors shall adopt and maintain a conflict-of-interest policy designed to promote the business of the Corporation and serve the interest of the Membership. Such policy, at a minimum, shall be in conformance with the provisions of the Texas Business Organizations Code pertaining to duties and responsibilities of the Board of Directors.

¹ This election shall be held prior to May 1, but after the members' annual meeting.

ARTICLE V

Section 1. Meetings of the Board of Directors shall be held at such time and place as the board may determine at the previous meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act (TOMA), Article 6252-17, Tex. Rev. Civ., by furnishing the notice to the county clerk or clerks of the county or counties in which the Corporation provides service, and by posting such notice in a place readily convenient to the public in its administration 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, place and subject of each meeting held by the Board of Directors.

Section 2. Any Director failing to maintain participation and minimal attendance may be given written notice by the balance of the Directors that failure by said Director without justifiable cause, may give rise to removal if lack of participation continues.

Section 3. The Board of Directors shall provide access for the public, new service applicants, or Members to the meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals, or grievances; however, there shall be no deliberations or actions by the Board unless such has first been noticed in accordance with the Texas Open Meetings Act. The Board of Directors shall establish reasonable rules for access to such meetings.

Section 4. The Board of Directors may, upon lawful notice to the public, meet in executive session when permitted, in the manner and for such limited purposes as provided for in the Texas Open Meetings Act, as amended, and for no other reason. All proceedings of any meeting at which a quorum of Directors is present to discuss the business of the Corporation shall be recorded in the manner required by TOMA.

Section 5. In conducting their duties as members of the Board, Directors (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports, or statements including financial statements and other financial data, concerning the Corporation or the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation, or by legal counsel, public accountants, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care that the assets of the Corporation are at least that of their book value; (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care on the financial statements of, or other information concerning any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith on information and opinions. Reports or statements, including financial statements and other financial data prepared or presented by one or more Officers or employees of the Corporation, legal counsel, public accountants, or other persons provided the Directors reasonably believes such matters to fall within such person's professional or expert competence. Nevertheless, Directors must disclose any knowledge they may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE VI

Section 1. There shall be a regular meeting of the Members annually to transact all business that may be brought before it.

Section 2. The Board of Directors shall adopt, and from time to time may revise written procedures for conducting annual or special Membership meetings, including notification to the Membership of the proposed agenda, location, date of the meeting, election procedures, approval of the ballot form to be used, and validation of eligible voters, ballots, and election results. At least (30) days

before the date of a Membership meeting that includes an election, the Corporation shall mail to each member of record at the address last known to the Corporation written notice of such meeting indicating the time, place and purpose of such meeting; the election ballot; and for Director elections, a statement of each candidate's qualifications, including biographical information as provided in each candidate's application. The election ballot for Director elections must include the number of Directors to be elected and the names of the candidates.

Failure to hold or call 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.

Section 3. The Board shall select an independent election auditor not later than thirty (30) days before the scheduled date of a Membership meeting where an election will be held. 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 the election and while serving in the capacity of an independent election auditor, the independent election auditor may not be associated with the Corporation as an employee; a Director or candidate for Director; or an independent contractor engaged by the Corporation as part of the Corporation's regular course of business. The independent election auditor shall receive and count the ballots before the meeting is adjourned. The independent election auditor shall provide the Board with a written report of the election results.

Section 4. For any election, a member may vote in person at the Membership meeting; by mailing a completed ballot to the office of the independent election auditor or to the Corporation's main office which must be received by noon on the business day before the date of the meeting; or by delivering a completed ballot to the office of the independent election auditor or to the Corporation's main office by noon on the business day before the date of the meeting.

A quorum for the transaction of business at a meeting of the Membership 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.

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 at no time have sufficient board members appointed to constitute a quorum of the Board of Directors. This committee, in accordance with the procedures adopted by the Board under Section 2, shall recommend for Board approval the election procedures and all related forms and notices, recommend for Board approval a person to fill the role of independent election auditor, ensure that the election procedures are implemented, and serve other functions designated in the Corporation's election procedures. Should the individual holding the office of Secretary-Treasurer be running for re-election, the Board shall appoint an officer not currently running for re-election to serve as chairperson of the committee.

Section 6. After fixing a date for the notice of a meeting, the Board of Directors shall prepare an alphabetical list of the names of all voting members who are entitled to vote as of the record date of the meeting. The list must show the address of each voting member. No later than two (2) business days after the date notice is given of the meeting, and continuing throughout the meeting, the list of voting members must be available for inspection by any members concerning the meeting at the Corporation's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. 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 their 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 adjournment thereof.

Section 7. The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the memberships of such Corporation. All profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with such Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the corporation remains unpaid.

ARTICLE VII

A special meeting of the Members or Directors may be called by the President, or by demand by a majority of the board members or one third (1/3) of the Members. Such special meetings shall be held upon giving notice as required by the Texas Open Meetings Act.

Prior to convening any special meeting of the Members, 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 required under Texas Business Organizations Code Section 22.156, and as provided under Article V of these By-laws. Such notice shall specify the time, place, and purpose of the meeting, and shall be addressed and mailed to each of the Members at their address last known to the Corporation, personally delivered to each Member, or sent by facsimile, email or text to each Member.

Emergency meetings of the Directors may be held on rare occasions and only when clearly authorized by the Texas Open Meetings Act. Notice of such emergency meeting shall be provided under Article V of the By-laws and the Texas Open Meetings Act, at least two hours before the meeting is convened. It shall be the responsibility of the President, or a designee of that office, to ensure that proper notice is posted and Directors are properly notified. In no event shall any emergency 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.

The directors of the Corporation shall establish and maintain in a bank within the State of Texas, insured with the Federal Deposit Insurance Corporation, a reserve account separate and apart from other funds accounts of the Corporation. There shall be deposited in such fund the sum as required by a total of all loan resolution executed by the Corporation each month from the revenues of the Corporation. Such deposits will continue until the total amount deposited equals the sum as required by the executed loan resolutions provided, however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to the sum as required by the executed loan resolutions.

Withdrawals from this fund shall be made only for emergency repairs, obsolescence of equipment, making extensions, improvements to facility, and for making up any deficiencies in revenue for loan payments. One of the objectives of the reserve fund is to assure, during the periods of non-water deliveries or water shortages, the availability of funds equal to the difference between collection from the sale of water and collections that would have been made had the members been able to purchase the quantity used normally.

The directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited in bonds or other evidence of indebtedness to the United States of America, or they shall deposit said sums at interest in a savings account, in a bank insured with FDIC. Securities so purchased shall be deemed at all times to be a part of the reserve fund account.

ARTICLE VIII

Section I: 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 hereinafter provided and upon compliance with the reasonable requirements of the Corporation governing the purchase of water, charges for connection and operation of and service by the system. Membership shall not be denied because of the applicant's race, religion, sex, age, color, creed 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: The membership fee shall be determined by the Board of Directors, which shall entitle the member to one connection to the meter main of the Corporation. A person may own more than one membership, but each member shall be entitled to only one vote regardless of the number of memberships owned. Membership certificates shall be in such form as shall be determined by the Board of Directors.

Section 3. The Membership fee may be revised by the Board of Directors as the Board may determine to be appropriate.

ARTICLE IX

For the purpose of determining members' entitlement to notice or to vote at any meeting of members or any adjournment thereof or in order to make a determination of members for any other proper purpose, ownership of memberships shall be deemed to be in those persons who are the record owners of memberships as evidenced by the membership transfer book on the 15th day of the month next preceding the month of the date upon which the action requiring such determination is to be taken.

ARTICLE X

To ensure that business 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 from the original members, their transferees, pledges, administrators or executors, or purchasers at judicial sale, or other persons, only after approval by the directors of the person proposing to buy said membership. Membership in the Corporation shall be deemed personal estate and shall be transferable only upon surrender of membership certificate to the Corporation, endorsed by the record owner to the transferee. After all indebtedness due the Corporation has been paid by the transferer member, a new membership certificate may be issued.

ARTICLE XI

There shall be a regular meeting of the members annually, between Jan 1 and May 1. The Secretary-Treasurer shall give at least thirty (30) days written notice of such annual meeting to the membership indicating the time, place and purpose of such meeting, and shall address and mail the notice to each member at the address last known to the Corporation. Voting by Proxy Ballot shall be permitted.

ARTICLE XII

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 Bylaws at least two hours before the meeting is convened where the business of such meeting could be considered at a regular meeting of the directors receiving at least (72) hours notice as provided under Article V of these Bylaws.

Prior to convening any special meetings of the Members, 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 notice as provided under Article V of these Bylaws. Such notice shall specify the time, place and purpose of the meeting, and shall be addressed and mailed to each of the members at their address last known to the Corporation.

ARTICLE XIII

The business of the Corporation may be handled under the direction of the Board of Directors by a manager to be elected by majority vote of the Board, and he shall serve with or without compensation. The manager, with the approval of the Board of Directors, may employ with or without compensation, such supervisory, clerical or other employees as he may require to effectively operate the business of the Corporation.

ARTICLE XIV

All members will be billed, disconnected, or reconnected in accordance with the written policies of the Corporation. In the event a member should surrender his membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, his water service shall be discontinued and his obligation to pay for water service shall terminate except as for the minimum charge for the current month or the charge for water used during the current month, whichever is greater, and except as for any prior unpaid amounts due the Corporation. In the event membership is terminated, cancelled, withdrawn, or surrendered, whether voluntarily or involuntarily, the former member's rights and interest in the assets of the Corporation will not be forfeited.

ARTICLE XV

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation remaining after payment of the indebtedness of the Corporation shall be distributed among the members and former members in direct proportion to the amount of their patronage with the Corporation insofar as practicable. Any indebtedness due the Corporation by a member for water service or otherwise shall be deducted from such member's share prior to final distribution. By application for and acceptance of membership in the corporation, each member agrees that, upon such discontinuance of service by dissolution, or otherwise, the assets transferred to that member shall be, in turn, immediately transferred by the individual member, to an entity that provided a water supply or wastewater service, or both, that is exempt from ad valorem taxation.

ARTICLE XVI

The fiscal year of the Corporation shall be from JAN 1ST to DEC 31ST.

ARTICLE XVII

For so long as the Corporation is indebted for a loan or loans, the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as is required for the State of Texas.

ARTICLE XVIII

Section 1. If at the end of any fiscal year or in the event of emergency repairs the Board of Directors determined the total amount derived from the collection of water 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 party creditor without a favorable vote of the majority of the members. Any assessments levied to make up operational deficits in any year shall be levied against members in proportion to their patronage with the Corporation.

Section 2. In the event a member should surrender his membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, his obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of his obligation under special agreements covering multiple membership certificates held by one member.

ARTICLE XIX

With prior written request, corporate records, books and annual reports, subject to exceptions provided by the Open Records Act, Article 6252-13a, Tex. Civ. Stat., including any amendments thereto, 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 provisions of the Open Records Act and the provisions of these Bylaws, the provisions of the Open Records Act shall prevail.

ARTICLE XX

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 and 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. For so long as the Corporation is indebted for a loan or loans made to it by a financial institution, these by-laws shall not be altered, amended, or repealed without the prior written consent of that institution.

ARTICLE XXI

The seal of the Corporation shall consist of a circle within which shall be inscribed "Raywood Water Supply Corporation".

The above Bylaws were adopted as amended by members of the Raywood Water Supply Corporation, at a meeting held on the 15th day of March, 2021.



President

Attest:



Secretary-Treasurer