

**BY-LAWS
OF
RCH WATER SUPPLY CORPORATION**

Bylaws of RCH Water Supply Corporation, having been presented to the Members of the Corporation and duly adopted April 16, 2024:

ARTICLE I

The purpose of the Corporation shall be to provide a water supply to individuals and entities under Chapter 67 of the Texas Water Code, pursuant to its Certificate of Convenience and Necessity Number 10087.

ARTICLE II

The President shall preside at all members' and directors' meetings. The President may, and upon demand of one-third (1/3) of the members or directors, call a special meeting of the members or directors. The President shall perform all other duties that usually pertain to the office or are delegated by the Board of Directors.

ARTICLE III

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

ARTICLE IV

The Secretary-Treasurer shall have custody of all the monies, records, and securities of the Corporation. The Secretary-Treasurer shall keep minutes of all meetings of the Corporation. All monies of the Corporation shall be deposited by the Secretary-Treasurer 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 absence of the President. The Secretary-Treasurer shall have custody of the seal of the Corporation and affix it as directed hereby or by 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-Treasurer in all official duties pertaining to that office. 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.

ARTICLE V

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 judgment 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 up to seven (7) Directors, a majority of whom shall constitute a quorum. The Directors shall be elected by the Members at the Members' meetings provided for in Article VIII of the Bylaws, each for a three (3) year term. 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. Directors shall not receive any stated salary for their services, but may be reimbursed by per diem or actual expenses approved upon submittal of an expense voucher to the General Manager or designee with vendor receipts.

Section 3. On the first Tuesday in January each year, the Board of Directors shall elect a President, Vice-President, and Secretary-Treasurer.

Section 4. Not later than sixty (60) days after a Director dies, resigns, or is determined by the Board to not meet one of the 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 5. Directors may be removed from office in the following manner, except as otherwise provided in Article VI. 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 ten (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 twenty (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 upon a vote of a majority of the Directors 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 6. 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 4, 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 this Article shall not be precluded from subsequent election to a position on the Board of Directors.

Section 7. The Board of Directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interests 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.

ARTICLE VI

Section 1. Regular meetings of the Board of Directors shall be held at such time and

place as the Board may determine. No notice to the Directors of such regular meetings shall be required, and it shall be the duty of each Director to attend the same without notice. A majority of the Board of Directors shall constitute a quorum. The Board of Directors shall ensure that all meetings comply with the requirements of the Open Meetings Act, Chapter 551, Texas Government Code, including any subsequent amendment thereto.

Section 2. Any Director failing to attend two (2) consecutive meetings may be given written notice by the balance of the Board of Directors that failure by said Director to attend a third consecutive meeting, without justifiable cause acceptable to the balance of the Board of Directors, shall give rise to removal of said Director from the Board. A successor shall be appointed by a majority vote of the Directors remaining to serve until the next regular or special Membership meeting, at which time the general Membership shall elect a successor for the balance of the term.

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.

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 the Texas Open Meetings Act.

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; and (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, 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 VII

Special meetings of the directors may be called by the President or by at least two (2) directors, provided that notice is submitted to the President, provided notice is given to the directors and the agenda of items to consider is posted in accordance with the Texas Open Meetings Act, Chapter 551, Texas Government Code. Notice of each meeting shall be provided at the time the agenda for the meeting is posted. Special meetings of the members may also be held upon petition of the members upon giving five (5) days' notice directed to the President and signed by one-third (1/3) of the members. 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. 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 to each Member.

ARTICLE VIII

Section 1. There shall be a regular meeting of the members annually between January 1 and May 1 of each year to transact all business that may be properly brought before it. The Secretary- Treasurer shall give at least thirty (30) days' written notice of the annual members' meeting.

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, and 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 thirty (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.

Section 3. A special meeting of the members may be called by the President or Board of Directors by addressing and mailing to each registered member at his or her address last known to the Corporation, written notice of the time, place, and purpose of the meeting thereof, at least thirty (30) days prior to the convening thereof. A special meeting of the members may also be called by one-third (1/3) of the members in the same manner as above provided. All such special meetings may be held at a time by unanimous consent of the members at the annual meeting of the members, a majority of members, present in person or represented by proxy, shall constitute a quorum to transact the business of the Corporation.

Section 4. 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 VI of the Bylaws and the Texas Open Meetings Act, at least two (2) 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 or special meeting of the Directors receiving at least seventy-two (72) hours' notice as provided under Article V of these Bylaws.

ARTICLE IX

Section 1. The Corporation shall have Members as defined by the Texas Water Code. All

customers of the Corporation must hold a Membership or obtain their service through a Membership. A person or entity that holds an interest in property solely as security for the performance of an obligation or that only builds on or develops the property for sale to others is not required to hold a Membership as a condition to receive service on a limited basis. 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 Corporation's conditions of water and/or sewer service as provided for in its published charges, rates and conditions of service. Membership shall not be denied because of the applicant's race, color, religion, sex, age, marital status, familial status, handicap, income from Public Assistance, disability or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis.

Section 2. The Membership fee shall be a one time charge set by the Board of Directors which shall be transferable. Payment of the Membership fee or transfer of the Membership shall entitle an applicant to qualify for one connection to the water system, or shall entitle a transferee of Membership to continue to qualify for service to an existing connection to the system by meeting the conditions for water service as provided in the Corporation's published rates, charges, and conditions for service. The Membership fee may be revised by the Board of Directors as the Board may determine. In no event, however, shall the Membership fee exceed an amount equal to the sum of twelve (12) monthly minimum water rates.

Section 3. The Board of Directors may provide for the issuance of certificates evidencing Membership in the Corporation, which shall be in such form as may be determined by the Board of Directors and held for safekeeping in the account files of its Members. Such certificates shall be signed by the Secretary-Treasurer or President or Vice President. The name and address of each Member and the date of issuance of the certificate shall be entered on the records of the Corporation. If any certificate shall become lost, mutilated or destroyed, a new certificate may be issued upon such terms and conditions as the Board of Directors may determine. Upon termination of Membership, the Member shall sign his/her Membership certificate for surrender to the Corporation for transfer and/or cancellation of his/her Membership.

Section 4. 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. Where necessary for

determining those Members entitled to vote at any Membership 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 the record owners of Memberships as evidenced by the Membership transfer book on the 15th day of the month preceding the month in which the action requiring such determination is to be taken.

Section 5. In order 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 in accordance with the following:

- (a) Except as herein provided, Membership in the Corporation shall be deemed personal property, and a person or entity who is a Member of the Corporation may not sell or transfer that Membership to another person or entity except: (1) by will to a transferee who is a person related to the testator with the second degree by consanguinity; (2) by transfer without compensation to a transferee who is a person related to the owner of the Membership within the second degree of consanguinity; or (3) by transfer without compensation or by sale to the Corporation.
- (b) Subsection (a) of this section does not apply to a person or entity that transfers the Membership to another person or entity as part of the conveyance of real estate from which the Membership arose.
- (c) The transfer of a Membership under this section does not entitle the transferee to water service unless the full Membership fee is currently held by the Corporation and each condition for water service is met as provided in the Corporation's published rates, charges, and conditions for service.

Section 6. Notwithstanding anything to the contrary hereinabove provided, the consideration for the transfer of any Membership in the Corporation shall never exceed the amount of the original cost of such Membership. No gain or profit shall ever be realized from the sale or transfer of a Membership.

Section 7. In the event that a member should notify the Corporation to discontinue his or her water service, his or her obligation to pay the minimum monthly charge shall continue until he or she transfers his or her certificate of membership to a person who has been approved by the Corporation.

ARTICLE X

Notwithstanding the ownership of a Membership certificate, all Members shall be billed, disconnected, or reconnected, and otherwise shall receive water service in accordance with the written policies of the Corporation, including the tariff of the Corporation. In the event a Member should surrender his/her Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the water service shall be disconnected current month, the charge for water used during the current month, and any unpaid amounts due the Corporation for water service or special assessments.

ARTICLE XI

The Corporation may cancel a person's or entity's Membership if the person or entity fails to meet the conditions for water service as prescribed by the Corporation's published rates, charges, and conditions for service, or fails to comply with any other conditions placed on the receipt of water service under the Membership authorized under Article IX, Subsection 3. The Corporation may, consistent with the limitations prescribed by Article IX, Subsection 1 and as provided in the Corporation's tariff, reassign a canceled Membership to any person or entity that has legal title to the real estate from which the canceled Membership arose and for which water service is requested, subject to compliance with the conditions for water service prescribed by the Corporation's published rates, charges, and conditions for service.

ARTICLE XII

Section 1. The business of the Corporation shall be handled under the direction of the Board of Directors, who may hire a General Manager. The Board shall set the salary for the General Manager. The General Manager, with the approval of the Board of Directors, may employ other employees as may be required to conduct the business of the Corporation effectively and efficiently.

Section 2. The affairs of the Corporation shall be managed on a non-profit basis. The Corporation shall insure with a reputable insurance company such of its properties and in such amounts as required by the State Director of the USDA Rural Development, RUS, for the State of Texas.

ARTICLE XIII

The Board of Directors shall select, as depository for the funds of the Corporation, a

National Bank within the State of Texas, and shall require such bond of depository as the Board deems necessary for the protection of said Corporation.

ARTICLE XIV

Section 1. If at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all cost incident to the operation of the Corporation's water system during the fiscal year in which such charges are collected, the Board may 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 cost of operations, maintenance, replacement and repayment of indebtedness for the year's operation, or the emergency repairs.

Section 2. In the event a Member should surrender his/her Membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, the obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of the Membership certificate.

ARTICLE XV

Section 1. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors, and committees, and shall also keep a record of the name and addresses of its Members entitled to vote at its registered office or principal office in Texas. Copies of records are available as provided by the Public Information Act, Chapter 552, and the Texas Government Code and fees established by the Texas Attorney General's Office.

Section 2. The books and accounts of the Corporation shall be audited by a person competent to perform such audit at least once each year. The reports prepared by such person shall be submitted to the members at the Annual Meeting of such members.

ARTICLE XVI

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in an institution insured by the State or Federal Government, or

invested in readily marketable securities backed by the full faith and credit of the United States of America, a reserve account separate and apart from other fund accounts of the Corporation.

Withdrawals from this fund shall be made only for emergency repairs, obsolescence of equipment, and for making up any deficiencies in revenue for loan payments. One of the objects of this 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 water rights and collections that would have been made had the members been able to purchase the quantity of water used normally.

ARTICLE XVII

These bylaws may be amended by a majority of the members at any Annual Meeting of the Members, or at any special meeting of the Members called for that purpose.

ARTICLE XVIII

The fiscal year of the Corporation shall be from January 1st to December 31st.

ARTICLE XIX

The seal of the Corporation shall consist of a circle within which shall be inscribed RCH WATER SUPPLY CORPORATION.

ARTICLE XX

Upon the discontinuance of the Corporation by dissolution or otherwise, all assets 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 and/or sewer 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 the discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that Member shall be in turn immediately transferred by the individual Member to an entity that provides a water supply or wastewater service, or both, that is exempt from ad valorem taxation. By application for and acceptance of membership in the Corporation, each Member grants the Corporation's Board of Directors that Member's permission to execute all instruments and documents necessary to

effectuate such transfers in order to preserve the Corporation's statutory rights to exemption from income and ad valorem taxation.

The above BYLAWS were adopted as amended at the Annual Membership Meeting held on the 16th day of April 2024, by a majority vote, as more particularly reflected in the Minutes of said meeting.

DATED the ____ day of April, 2024.

President, Board of Directors

Attest:

Secretary-Treasurer