

BY-LAWS
OF
RCH WATER SUPPLY CORPORATION

By-Laws of RCH Water Supply Corporation having been presented to the Board of Directors of said Corporation and duly adopted are as follows:

ARTICLE I

The President of the Corporation shall preside at all members' and directors' meetings. He may, and upon demand of one-third (1/3) of the members or directors, call a special meeting of the members or directors. He shall perform all other duties that usually pertain to the office or are delegated to him 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 and securities of the Corporation. He shall keep regular books and shall keep minutes of all meetings of members and directors. All monies of the Corporation shall be deposited by him in such depository as shall be selected by the directors. Checks must be signed by him and the President, or Vice-President in absence of the President. He 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.

ARTICLE IV

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.

ARTICLE V

Special meetings of the directors may be called by the President or by at least two 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 days notice directed to the President and signed by 1/3 of the members.

ARTICLE VI

Each incorporator shall be a member of the Board of Directors who are to serve as Directors until the first annual meeting of the shareholders or until their successors are elected and qualified. Upon the death or resignation of a member of the Board of Directors, a successor shall be elected by a majority vote of the Directors remaining, to serve out the remaining portion of the term thus vacated. The number of directors may be increased from time to time by a charter amendment, but there shall never be more than twenty-one members of said board. The directors shall serve without pay but may be compensated for actual expenses by a majority vote. A majority of the Board of Directors shall be engaged in farming.

ARTICLE VII

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 fifteen days' written notice of the annual members' meeting. 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 address last known to the Corporation, written notice of the time, place, and purpose of the meeting thereof, at least fifteen days prior to the convening thereof. A special meeting of the members may also be called by one-third 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.

ARTICLE VIII

Each member of the Corporation shall be entitled to one vote in the conduct of the affairs of the Corporation. A member own more than one membership, but each member shall only be entitled to one vote in any event.

ARTICLE IX

Upon the issuance of the Charter and annually thereafter on the first Tuesday in January, the Board of Directors shall elect a President, Vice-President, and Secretary-Treasurer. The position of the Secretary-Treasurer shall be placed under a fidelity bond in the amount equal to the largest amount of funds to be handled by him at any time. The amount of said bond shall be set from time to time by the Board of Directors, but shall not be less than \$100.00.

ARTICLE X

The business of the Corporation shall be handled under the Direction of the Board of Directors, who may hire a manager. 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 Farmers Home Administration.

ARTICLE XI

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 XII

All officers and directors of the Corporation must be members of the Corporation.

ARTICLE XIII

All customers will be billed for water charges as provided in the Corporation's tariff or service regulations.

ARTICLE XIV

Section 1: Eligibility of Members

Any person, including any legal entity owning or having a real property right to property served or which may 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 for water service as provided for in its published charges, rates and conditions for service. Membership shall not be denied because of the applicant's race, color, creed, citizenship, or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit.

Section 2: Membership Fee

1. 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 Board of Directors may allow for a membership fee to be free for those persons eligible for membership on the date this provision is adopted.

2. 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: Voting Rights

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.

Section 4: Transfer of Membership

1. 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.

2. Subsection 1. 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.

3. 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.

4. 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 Subsection 3. of this section. The Corporation may, consistent with the limitations prescribed by Subsection 1. of this section 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.

5. 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.

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

Section 5: Determination of Membership

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 6: Termination of Membership

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.

Section 7: Membership Certificates

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 8: Assessments

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.

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

[Reserved for expansion.]

ARTICLE XVI

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 XVII

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in a National Bank within the State of Texas, a reserve fund account separate and a part from other fund accounts of the Corporation. There shall be deposited in such fund the sum of \$_____ per month from the revenues of the Corporation. Such deposits provided, however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to \$_____.

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.

The Directors shall invest all sums in this fund not required to be expended within the year in which the sums are deposited in bonds or other evidence of indebtedness of the United States of America or they shall deposit said sums at interest in to an interest bearing account. Securities so purchased shall be deemed at all times to be a part of the reserve fund account.

ARTICLE XVIII

These bylaws may be amended by a majority of the members at any Annual Meeting of the Members.

ARTICLE XIX

[Reserved for expansion.]

ARTICLE XX

In carrying out the purpose of this Corporation, water shall be used for general farm use and domestic purposes.

ARTICLE XXI

The Certificate of Membership shall entitle the member to one (1) connection to the water main of the Corporation.

ARTICLE XXII

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

ARTICLE XXIII

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

ARTICLE XXIV

Should it become necessary that the Corporation be voluntarily dissolved a plan providing for the distribution of its assets shall be adopted which is not inconsistent with the provision of the Texas Non-Profit Corporation Act, and which shall contain, among other required provisions, a provision that the remaining assets of the Corporation shall be distributed only for tax-exempt purposes to one or more organizations which are exempt under Section 501(c)(3), Internal Revenue Code of 1986 [26 U.S.C. § 501(c)(3)].

The above BYLAWS and REGULATIONS were unanimously adopted by the Board of Directors of the RCH WATER SUPPLY, at the annual members meeting on the 26th day of January 2000, and amended at a special meeting of the members on the 26th day of August, 2009.

DATED the _____ day of _____, 200__.

Secretary-Treasurer