(REVISED 3/14/93)

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. He may, and upon demand of one third (1/3) of the members shall, call a special meeting of the members or directors, and he 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. 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 the absence of the President. He 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

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, Secretary-Treasurer, and Recording Secretary. 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 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

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

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. Upon the death or resignation of a director, a successor shall be elected by a majority of the directors remaining to serve out the remaining portion of the term thus vacated.

ARTICLE V

Regular meetings of the Board of Directors shall be held at such time and place as the board may determine at the next regular meeting, and shall include posting of the meeting as required by the Texas Open Meetings Act, 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 preceeding 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.

ARTICLE VI

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

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, 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 $150.00, 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.

ARTICLE IX

For the purpose of determining members entitlement to notice of 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

In order to insure 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, in the first Fiscal Quarter to transact all business that may be properly brought before it. The Secretary-Treasurer shall give at least fifteen (15) 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 shall be permitted. The presence at a meeting of members entitled to cast in their own right or by proxy ten percent (10%) of the total number of votes shall constitute a quorum for the transaction of business.

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

(A) 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 other than First State Bank 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.

(B) 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 First state Bank, these by-laws shall not be altered, amended, or repealed without the prior written consent of First State Bank.

ARTICLE XXI

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

The above by-laws and regulations were unanimously adopted by the Board of Directors of the RAYWOOD WATER SUPPLY CORPORATON, at a meeting in the Raywood Water Supply Corporation office on the *14th* day of *March*, A.D. 1993.

Mason Arcenaux
Secretary Treasurer