

**BY-LAWS
OF
DOUBLE HORN CREEK WATER SUPPLY CORPORATION**

ARTICLE 1 - NAME

The name of the Corporation is Double Horn Creek Water Supply Corporation.

ARTICLE 2 - NONPROFIT CORPORATION

The Corporation is a non-profit, member-owned, member-controlled water supply and sewer service corporation incorporated under the provisions and definitions of Texas Water Code, Chapter 67 and the Texas Non-Profit Business Corporation Act.

ARTICLE 3 - PURPOSES

The purpose of the Corporation is to furnish a water supply service to all areas of its lawfully certificated service area in Texas. It is the purpose of the Corporation to be a "member-owned, member-controlled" water supply service corporation, owned by its member-customers and managed by an elected Board of Directors which shall have the sole original power to establish the rates, terms and conditions under which the Corporation will provide public utility service to a state-certificated service area, subject to the provisions of Article 5, Section 4 below. The Corporation shall have the further purpose of engaging in all those lawful activities in which a water supply service corporation may engage under Texas Water Code Chapter 67. It is the further purpose of the Corporation to be and consistently meet all requirements for a cooperative public utility association exempt from federal income taxes under Internal Revenue Code, Section 501 (c)(12)(A), as amended or replaced. It is the further purpose of the Corporation to be and consistently meet all requirements for a Texas Water Code, Chapter 67 water supply corporation exempt from state ad valorem taxes under Texas Tax Code, Section 11.30, as amended or replaced.

ARTICLE 4 – POWERS

Except as otherwise provided in these by-laws, the Corporation's Certificate of Formation or the laws of this state, the Corporation shall have all powers invested in a water supply service corporation by Texas Water Code, Chapter 67, the Texas Non-Profit Corporation Act and the administrative rules of the Texas Commission on Environmental Quality and its successor

agency(ies), not inconsistent with Internal Revenue Code Section 501(c)(12)(A) and related federal regulations, rulings and procedures, as amended or replaced.

ARTICLE 5 - RESTRICTIONS AND REQUIREMENTS

1. DIVIDENDS

No dividends shall ever be paid upon the memberships of the Corporation. No income of the Corporation may be distributed to Members, Directors, or Officers in these roles. All profits arising from the operations of the business of the Corporation (after the payment of debt service, operating expenses, taxes, and the funding of necessary and reasonable reserves for future losses and expenses) shall be annually paid out to cities, towns, counties, other political subdivisions, private corporations, individuals and others who have during the past year transacted business with the Corporation, in direct proportion to the amount of business so transacted; provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid and, provided also, that the Directors of the Corporation may allocate to such sinking fund(s) and reserve accounts such amount of profits as they deem necessary and reasonable for future losses and expenses such as maintenance, upkeep, operation and replacements.

2. TRANSFER OF ASSETS UPON DISSOLUTION

Upon discontinuance of the Corporation by dissolution or otherwise, all residual assets of the Corporation remaining after payment of the lawful indebtedness of the Corporation or return of excess profits to members shall be distributed among the Members and former Members in direct proportion to the amount of their patronage with the Corporation insofar as practical. Any indebtedness due the Corporation by a Member for water service or otherwise shall be deducted from such Member's share before final distribution. By application for and acceptance of membership in the Corporation, each Member agrees that, upon discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that Member shall be in turn immediately transferred by that individual Member to an entity that provides a water supply or sewer service, 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 irrevocable power of attorney 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.

3. LIMITATION ON ACTIVITIES

The Corporation shall have no power to engage in activities or use its assets in a manner that are not in furtherance of the legitimate business of a water supply service corporation as recognized by Texas Water Code, Chapter 67 and Internal Revenue Code 501(c)(12)(A), as they may be amended or replaced.

4. LIMITATION OF SERVICES COST

Any services supplied by the Corporation shall be furnished substantially "at cost." "At cost" shall be deemed the full expense of providing service to Members after payment of debt service, operating expenses, taxes, and the funding of necessary and reasonable sinking or reserve funds for future losses and expenses.

ARTICLE 6 - OFFICES

1. REGISTERED OFFICE AND AGENT

The registered office of the Corporation shall be maintained at 4833 Spicewood Springs Road, Suite 202, Austin, Texas 78759. The registered agent is Mark Zeppa. The registered office or the registered agent, or both, may be changed by resolution of the Board of Directors, upon filing the statement required by law.

2. PRINCIPAL OFFICE

The principal office of the Corporation shall be at 101 Double Horn Trail, Spicewood, TX 78669 provided that the Board of Directors shall have the power to change the location of the principal office within Burnet County, Texas, in its discretion.

3. OTHER OFFICES

The Corporation may also maintain other offices at such places within the State of Texas as the Board of Directors may from time to time appoint or as the business of the Corporation may require.

ARTICLE 7 - MEMBERS

1. PLACE OF MEETING

All meetings of Members shall be held at a suitably sized venue in the vicinity of the utility service area.

2. MEMBER MEETINGS

The annual meeting of Members for the election of Directors for review and approval of an annual budget for the Corporation recommended by the Board of Directors and for the transaction of all other business which may come before the meeting shall be held on a date to be determined by the Board of Directors or, if no such date is determined by the Board before January 1 of each year, on the fourth Saturday of January of each year (if not a legal holiday and, if a legal holiday, then on the next Saturday following) at the hour specified in the notice of meeting. In no event, shall the annual meeting be before January 1 or later than April 30 of any year.

The annual meeting of Members may be held for any other purpose in addition to the election of Directors and approval of an annual budget that may be specified in a notice of such meeting.

A special Member meeting held for any purpose may be called by resolution of the Board of Directors or by a written request filed with the Secretary signed either by a majority of the Directors or by ten percent (10%) of the Members entitled to vote at any such meeting.

3. NOTICE OF MEMBERS' MEETING

Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than thirty (30) nor more than fifty (50) days before the date of the annual meeting or not less than ten (10) nor more than fifty (50) days before the date of a special meeting, either personally, by electronic mail or by mail, by or at the direction of the President, Secretary or the Officer or person(s) calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his/her address as it appears on the membership books of the Corporation, with postage thereon prepaid.

4. MEMBERSHIPS AND VOTING OF MEMBERSHIPS

The Corporation shall have one class of "Members" which shall be defined by the Certificate of Formation.

All customers of the Corporation must hold a membership or obtain their service through a membership. 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 by fee simple ownership of the same, shall have the right to become a Member of the Corporation upon payment of the membership fee provided herein and upon compliance with the Corporation's conditions of water 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, creed, citizenship or national origin. Membership and service shall never be discriminated against on the basis of any class or distinction recognized and protected by law. Membership shall be tied to the fee simple ownership of the property to be served. Tenants shall be served only through memberships held by their landlords, who shall be responsible for their tenant's service accounts as a continuing condition of their membership. No landlord otherwise in good standing shall be denied service to his/her property because of the identity of their tenant. 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 may not hold memberships. Developers, builders, lenders, etc. who are otherwise prohibited from holding memberships may only have memberships for those permanent service connections on property not to be resold in the ordinary course of business, for example for illustration only: real estate sales offices, irrigation meters, community pools, community centers, etc. Developers, builders, lenders, etc. who are otherwise prohibited from holding memberships may receive temporary interim service at property being held for re-sale until the property is sold.

No Member shall be eligible to participate in any vote of the membership if that Member has an outstanding utility account balance owed to the Corporation for utility services rendered, membership fees or authorized fees if said debt has been delinquent for a period of not less than sixty (60) days prior to the date of such election or vote.

5. CLOSING TRANSFER BOOKS AND FIXING RECORD DATE

For the purpose of determining Members entitled 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 vested in those persons who are the record owners of memberships as evidenced by the membership transfer book on the fifteenth (15th) day of the month preceding the month of the date upon which the required action requiring such determination is to be taken.

6. QUORUM OF MEMBERS

A quorum for the transaction of business at the annual meeting of the Members is the Members present. A quorum for the transaction of business at a special meeting of Members duly convened shall be at least 25% of all Members entitled to vote at the Meeting. In determining whether a quorum is present, all Members who mailed or otherwise delivered ballots to the independent election auditor or the corporation on a matter submitted to a vote at the meeting are counted as present. At any meeting of Members, business is transacted by a majority vote of Members present.

7. VOTING LISTS

The Officer or agent having charge of the membership books for the memberships of the Corporation shall make, at least ten (10) days before each meeting of Members, a complete list of the Members entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of memberships held by each. The list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any Member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member during the whole time of the meeting. The original membership books shall be evidence as to who are the Members entitled to examine such list or books or to vote at any meeting of Members.

ARTICLE 8 – MEMBER ELECTIONS

1. QUALIFICATIONS FOR ELECTION OR APPOINTMENT AS DIRECTOR

- (a) To be qualified for election or appointment as a director, a person must be:
 - (1) 18 years of age or older on the first day of the term to be filled at the election or on the date of appointment, as applicable;
 - (2) a member of the Corporation;
 - (3) an active water customer of the Corporation; and
 - (4) a Texas resident.

- (b) In addition to the qualifications prescribed by Subsection (a), a person is not qualified to serve as a director if the person:
 - (1) has been determined by a final judgment of a court exercising probate jurisdiction to be:
 - (A) totally mentally incapacitated; or
 - (B) partially mentally incapacitated without the right to vote; or
 - (2) has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.
- (c) If the board determines that a person serving as a director does not have the qualifications prescribed by Subsections (a) and (b), the board shall, not later than the 60th day after the date the board makes that determination, remove the director and fill the vacancy by appointing a person who has the qualifications prescribed by those subsections.

2. BALLOT APPLICATION

- (a) To be listed on the ballot as a candidate for a director's position, a person must file an application with the corporation that includes:
 - 1. the director's position sought, including any position number or other distinguishing number;
 - 2. the person's written consent to serve, if elected;
 - 3. biographical information about the person; and
 - 4. a statement of the person's qualifications, including a statement that the person has the qualifications prescribed by this Article 8.
- (b) The application must be filed with the corporation not later than the 45th day before the date of the annual meeting.
- (c) The Corporation shall make available director candidate application forms at the Corporation's main (registered) office and shall provide application forms by mail or electronically on request.

3. BALLOT

- (a) Not later than the 30th day before the date of an annual meeting, the Corporation shall mail to each member or shareholder of record:
 - 1. written notice of the meeting;
 - 2. the election ballot; and
 - 3. a statement of each candidate's qualifications, including biographical information as provided in each candidate's application.
- (b) The election ballot must include:
 - 1. the number of directors to be elected;
 - 2. the names of the candidates for each position; and
 - 3. the addresses for the return of a completed ballot, including at least one electronic messaging address.

4. VOTING PROCEDURES

- (a) A Member may vote:
 - (1) in person at the meeting;
 - (2) by mailing a completed ballot to the office of the independent election auditor or to the Corporation's main or registered office, which ballot must be received by the Corporation not later than noon on the business day before the date of the meeting; or
 - (3) by delivering a completed ballot to the office of the independent election auditor or to the Corporation's main or registered office not later than noon on the business day before the date of the meeting.
- (b) The independent election auditor, appointed by majority vote of the Board of Directors, shall receive and count the ballots before the annual meeting is adjourned.
- (c) For each director's position, the candidate who receives the highest number of votes or who is the subject of a resolution described by Paragraph 5 (b) below is elected.
- (d) If two or more candidates for the same position tie for the highest number of votes for that position, those candidates shall draw lots to determine who is elected.
- (e) The independent election auditor shall provide the board with a written report of the election results.
- (f) The Board may adopt necessary rules to implement this section, including rules to ensure the fairness, integrity, and openness of the voting process.
- (g) Notwithstanding anything herein to the contrary, a member vote on any matter may be conducted by mail, by facsimile transmission, by electronic message, or by any combination of those methods and which otherwise fulfills the requirements of these bylaws and applicable law.

5. ELECTION OF UNOPPOSED CANDIDATE

- (a) This section applies only to an election for a Director's position on the Board of Directors of the Corporation in which a candidate who is to appear on the ballot for the position is unopposed.
- (b) The Board by resolution may declare a candidate elected to a director's position if the Board certifies in writing that the candidate is unopposed for the position. A copy of the resolution shall be posted at the Corporation's main or registered office.
- (c) If a declaration is made under Subsection (b), the election for that position is not held.
- (d) If the election for the unopposed candidate would have been held with an annual meeting of the members or shareholders of the Corporation, the text of the declaration described by Subsection (b) shall be read into the record at the annual meeting.
- (e) The ballots used at a separate election that is held at the same time as an election for an unopposed candidate would have been held shall include after measures or contested races the position and name of a candidate declared elected under this section, under the heading "Unopposed Candidates Declared Elected."
- (f) A person may not, by intimidation or by means of coercion, influence or attempt to influence a person to withdraw as a candidate or not to file an application for a place on the ballot so that an election may be canceled.

- (g) The Board may adopt necessary rules to implement this section, including rules to ensure the fairness, integrity, and openness of the process.

6. OFFICIAL BALLOT

The Board shall adopt and make available to Members an official ballot form to be used in conducting the business of the Corporation at any annual or special meeting. No other ballot form will be valid. Ballots from Members are confidential and are exempted from disclosure by the Corporation until after the date of the relevant election.

7. INDEPENDENT ELECTION AUDITOR

The Board shall select an independent election auditor not later than the 30th day before the scheduled date of the annual meeting. 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 selection and while serving in the capacity of an independent election auditor, the independent election auditor may not be associated with the corporation as:

- (a) an employee;
- (b) a director or candidate for Director; or
- (c) an independent contractor engaged by the Corporation as part of the Corporation's regular course of business.

ARTICLE 9 – DIRECTORS

1. BOARD OF DIRECTORS

A Board of Directors shall manage the business and affairs of the Corporation. Directors who, throughout their term of service, must meet the qualifications set forth in Article 8, Section 1 above. The Members reserve for themselves, however, the authority to approve by a two-thirds (2/3) affirmative vote of all Members at an annual or special meeting of Members any fundamental business transaction involving the Corporation, as that term is used in Subchapters F and G of Ch. 22 of the Texas Business Code, as it may be amended or replaced.

2. NUMBER AND ELECTION OF DIRECTORS

There shall be twelve (12) interim Directors who shall serve until the first regular annual meeting. The number of permanent Directors thereafter shall be five (5), provided that the number may be increased or decreased from time to time by an amendment to these by-laws approved by vote of the Members, but no decrease shall have the effect of shortening the term of any incumbent Director. At each annual election the Members shall elect Directors to hold office until the next annual meeting. The number of Directors may never exceed twenty-one (21).

There shall be two (2) classes of Directors of as near equal number as reasonably possible. The initial classes shall be such that two of the Directors shall stand for election in year one,

and three directors shall stand for election in the following year. The length of initial terms for the first elected Directors shall be determined by lot as between one year and two years at the first annual meeting of the Board of Directors. Thereafter, all directorships shall be for two year terms expiring on alternate years. There shall be no limit on the number of consecutive terms to which a Director may be elected by the general membership or by the Directors as a successor Director.

3. VACANCIES

Officers and Directors may be removed from office in the following manner except as provided below regarding absentee Directors: Any Director or Officer may be removed with or without cause upon the vote of a majority of Members attending any annual meeting of Members or at least 25% of all Members entitled to vote if at a special meeting of Members. 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 on the Board thus created shall immediately be filled by a qualified person other than the removed Director(s) upon the vote of a majority of the Members present and voting at such meeting. The Board of Directors from among their number so constituted after the vacancy in the Board has been filled shall fill a vacancy of any office thus created.

If a Director is absent from three (3) or more consecutive regular meetings of which the Director was mailed or hand delivered a written notice, that Director may be removed by two-thirds (2/3rds) vote of all other Directors in a regular or special meeting. The Director against whom charges of absenteeism without good cause have been presented shall be informed in writing of the 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. The person(s) presenting such charges shall have the same opportunity. If the removal of the Director is approved, such action shall also vacate any other office(s) held by the removed Director(s) in the Corporation. A successor Director shall be elected by a majority of the remaining Directors to hold office until the next regular or special membership meeting at which time a permanent successor shall be elected by a majority of the Members voting to serve the remainder of the unexpired term of the removed Director.

Any vacancy occurring in the Board of Directors by resignation or death shall be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board. A successor Director shall serve until the next regular or special meeting of the membership at which time the general membership shall elect a successor to fill the remaining balance of the previously vacated term. Any Directorship to be filled by reason of an increase in the number of Directors shall be filled by election at the next annual meeting or at a special meeting of Members called for that purpose.

4. QUORUM OF DIRECTORS

A majority of the Board of Directors shall constitute a quorum for the transaction of business. The vote of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

5. ANNUAL MEETING OF THE DIRECTORS

Within thirty days after each annual meeting of Members, the Board of Directors elected at such meeting shall hold an annual meeting at which they shall elect Officers and transact such other business as shall come before the meeting. Nothing shall prohibit the holding of the annual meeting of Directors immediately following and at the same place as the annual meeting of Members except for the unavailability of all Directors newly-elected at the annual meeting; in which such case, the annual meeting of Directors shall be held within thirty days.

6. REGULAR MEETING OF DIRECTORS

A regular meeting of the Board of Directors may be held at such a time as shall be determined from time to time by resolution of the Board of Directors.

7. SPECIAL MEETINGS OF DIRECTORS

The Secretary shall call a special meeting of the Board of Directors whenever requested to do so by the President, by two Directors or at least five percent (5%) of Members. Such special meeting shall be held at the time specified in the notice of meeting.

8. PLACE OF DIRECTORS' MEETINGS

All meetings of the Board of Directors (annual, regular or special) shall be held either at the principal office of the Corporation or at such other place inside Burnet County, Texas as shall be specified in the notice of meeting.

9. NOTICE OF DIRECTORS' MEETINGS

Notice of regular or special meetings of the Board of Directors shall be given as required by law and shall include (at a minimum) posting of the meeting as required by the Texas Open Meetings Act, Texas Government Code Chapter 551, by furnishing the notice to the county clerk(s) of the county in which the Corporation provides service and by posting such notice in a place readily convenient to the public in its administrative office at all times 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. In case of emergency or urgent public necessity, which shall be clearly identified in the notice, it shall be sufficient if the notice is posted four hours before the meeting is convened. Cases of emergency or urgent public necessity are limited to imminent threats to public health or safety or reasonably unforeseeable situations requiring immediate action by the Board. In the event of an emergency meeting, it shall be sufficient if notice is posted four hours before the meeting is convened, and the President or two or more Directors calling such emergency meeting shall, if the request therefor containing all pertinent information has previously been filed at the headquarters of the Corporation, give notice by telephone or telegraph to any news media requesting such notice and consenting to pay any and all expenses incurred by the Corporation in providing such special notice. All such meetings shall then be conducted in the manner required by the Texas Open Meetings Act.

Unless waived in writing, each Director must be given a copy of all meeting notices within no less than the time limits set forth above. Notice of annual and regular meetings must be given

at least ten (10) days before the meeting. Notice to Directors may be by regular mail, fax, electronic mail or hand delivery.

10. ATTENDANCE AT MEETINGS

As all meetings of Directors must be open to the public, unless otherwise allowed by the Texas Open Meetings Act, telephone or other similar meetings shall not be permitted. Directors must attend meetings in person.

11. COMPENSATION

Directors, as such, shall not receive any stated salary for their services, but by resolution of the Board of Directors, expenses of attendance, if any, may be allowed for attendance at each annual, regular or special meeting of the Board. Directors may also be reimbursed for expenses personally incurred in attending meetings, conventions, training seminars, hearings, trials and other public forums or businesses in pursuit of the Corporation's lawful business within the State of Texas, or if approved in advance by a majority of the Board of Directors, outside the State of Texas so long as such expenditure is within the annual budget approved by the Members at the annual meeting. Where possible, the Corporation may pay such expenses directly for the affected Director(s).

12. CONFLICT OF INTEREST

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.

A Director shall be prohibited from providing goods or services to the Corporation. A Director shall not be authorized to vote on any matter in which they may have a pecuniary interest except as a Member of the Corporation. A Director has an affirmative duty to exercise reasonable due diligence to investigate and disclose any real or apparent conflicts of interests or pecuniary interests he may have on a matter affecting the Corporation or its Members.

No Director shall be liable to the Corporation or to the Corporation's membership for monetary damages for any act or omission in the Director's capacity as a Director of the Corporation, except and unless the Director shall be found liable for a breach of the Director's duty of loyalty to the Corporation or the Corporation's membership; an act or omission not in good faith that constitutes a breach of the Director's duty to the Corporation or an act or omission that involves intentional misconduct or knowing violation of the law on the part of the Director; a transaction from which the Director receives an improper benefit, whether or not the benefit results from an act or omission for which liability of the Director is expressly provided by Texas law.

13. GOOD FAITH RELIANCE

In conducting their duties as Members of the Board, each Director (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 of 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, registered engineers 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 (4) may rely in good faith and with ordinary care on information, opinions, reports or statements by one or more Officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said Director reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, a Director must disclose any knowledge that he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

14. CONDUCT OF MEETINGS

The Board of Directors shall provide access for new service applicants and Members to the regular meetings of the Board of Directors by setting aside a time for hearing of suggestions, proposals or grievances. The Board of Directors shall establish reasonable rules for access to such meetings. 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 Opening Meetings Act, as amended, and for no other reason. All proceedings of any meeting at which a quorum of Directors is present for the conduct of the business of the Corporation shall be recorded in the manner required by the Texas Open Meetings Act.

ARTICLE 10- OFFICERS

1. OFFICERS ELECTION

The Officers of the Corporation shall consist of a President, a Vice-President, and a Secretary-Treasurer. All such Officers shall be elected at the annual meeting of the Board of Directors from among the sitting Directors. If any office is not filled at such annual Directors meeting, it may be filled at any subsequent regular or special meeting of the Board. The Board of Directors at such annual meeting, or at any subsequent regular or special meeting, may also elect or appoint such other Officers and assistant Officers and agents as may be deemed necessary. The same person, except the offices of President and Secretary-Treasurer, may hold any two or more offices.

It is the intent of the Corporation to maintain an arms-length relationship with the Double Horn Improvement Association and the City of Double Horn. To that end, the President of the Corporation shall not concurrently hold an Officer position in the Double Horn Improvement Association or an Alderman or Mayor Position for The City of Double Horn. Other Officers and Directors may also be concurrent Directors or Officers of the Double Horn Improvement Association and/or Alderman or Mayor for The City of Double Horn..

All Officers and assistant Officers shall be elected to serve until the next annual meeting of Directors (following the next annual meeting of Members) or until their successors are elected;

provided, that any Officer or assistant Officer elected or appointed by the Board of Directors may be removed with or without cause at any regular or special meeting of the Board whenever in the judgment of the Board of Directors the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any agent appointed shall serve for such term, not longer than the next annual meeting of the Board of Directors, as shall be specified, subject to like right of removal by the Board of Directors.

2. VACANCIES

If any office becomes vacant for any reason, the Board of Directors may fill the vacancy.

3. POWER OF OFFICERS

Each Officer shall have, subject to these by-laws and Texas Water Code, Chapter 67, in addition to the duties and powers specifically set forth herein, such powers and duties as are commonly incident to his/her office and such duties and powers as the Board of Directors shall from time to time designate. All Officers shall perform their duties subject to the directions and under the supervision of the Board of Directors. The Board or the President may secure the fidelity of any and all Officers by bond or otherwise. The Officers shall, at the direction of a majority of the Board of Directors, obtain and maintain in full force for the benefit of the Corporation, its Officers and Directors, at the Corporation's expense and in a coverage amount set by the Board of Directors, liability and indemnity insurance covering the actions of all Directors and Officers, such insurance commonly known as "errors and omission" coverage.

4. PRESIDENT

The President shall be the chief executive Officer of the Corporation. He/she shall preside at all meetings of the Directors and Members. He/she shall see that all orders and resolutions of the Board are carried out, subject however, to the right of the Directors to delegate specific powers, except such as may be by statute exclusively conferred in the President, to any other Officers of the Corporation.

He/she or any Vice-President shall execute bonds, mortgages and other instruments requiring a seal, in the name of the Corporation, and, when authorized by the Board, he/she or any Vice-President may affix the seal to any instrument requiring the same, and the seal when so affixed shall be attested by the signature of either the Secretary-Treasurer or an Assistant Secretary-Treasurer. He/she or the Secretary-Treasurer shall sign certificates of membership.

The President shall be *ex-officio* a Member of all standing committees.

He/she shall submit a report of the operations of the Corporation for the year to the Directors at their meeting preceding the annual meeting of the Members and to the Members at their annual meeting.

5. VICE-PRESIDENT

The Vice-President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and he/she shall perform such other duties as the Board

of Directors shall prescribe. There may be assistant vice-presidents to assist the Vice-President in the performance of his/her duties.

6. THE SECRETARY-TREASURER AND ASSISTANTS SECRETARIES-TREASURERS

The Secretary-Treasurer, or a duly appointed Assistant Secretary-Treasurer, shall attend all meetings of the Board and all meetings of the Members and shall record all votes and the minutes of all proceedings and shall perform like duties for the standing committees when required. He/she shall give or cause to be given notice of all meetings of the Members and all meetings of the Board of Directors and shall perform such other duties as may be prescribed by the Board. He/she shall keep in safe custody the seal of the Corporation, and when authorized by the Board, affix the same to any instrument requiring it, and when so affixed, it shall be attested by his/her signature or by the signature of an Assistant Secretary-Treasurer.

The Secretary-Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors.

The Secretary-Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements. He/she shall keep and maintain the Corporation's books of account and shall render to the President and Directors an account of all of his/her transactions as Treasurer and of the financial condition of the Corporation and exhibit the books, records and accounts to the President or Directors at any time. He/she shall disburse funds for capital expenditures as authorized by the Board of Directors and in accordance with the orders of the President. He/she shall present to the President for his/her attention any requests for disbursing funds if in the judgment of the Secretary-Treasurer any such request is not properly authorized. He/she shall perform such other duties as may be directed by the Board of Directors or by the President.

If required by the Board of Directors, he/she shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of office and for the restoration to the Corporation, in case of death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his/her possession or under his/her control belonging to the Corporation.

There may be assistant secretaries and/or assistant treasurers to assist the Secretary-Treasurer in the performance of his/her duties.

The Board may appoint an officer or an employee of the Corporation to take minutes of any meeting as directed by and responsible to the Secretary-Treasurer.

7. GENERAL MANAGER

The Corporation shall not be required to have a general manager; however, a general manager, if elected by a majority vote of the Board, may handle the business of the Corporation under the direction of the Board of Directors. The general manager shall be employed at a salary to be fixed by the Board of Directors and approved by the Members at an

annual meeting. The general manager shall perform such duties and for such term of office as shall be fixed by majority vote of the Board of Directors.

The general manager shall not have authority to expend the funds of the Corporation in excess of \$5,000 per expenditure without prior approval of the Board of Directors unless otherwise necessary for emergencies to avoid contamination of the water supply, disruption of service or permanent damage or injury to persons or property.

The general manager shall not have authority to sell or dispose of the assets of the Corporation that are of no further benefit to the Corporation with a salvage or net book value in excess of \$5,000 without prior approval of the Board of Directors.

8. COMPENSATION AND LOANS

Directors and officers shall not be paid any salary. Loans by the Corporation directly or indirectly to any Director or Officer are prohibited.

9. CONFLICT OF INTEREST

An Officer shall be prohibited from providing goods or services to the Corporation by reason of their office. An Officer has an affirmative duty to exercise reasonable due diligence to investigate and disclose to the Board of Directors any real or apparent conflicts of interests or pecuniary interests he/she may have on a matter affecting the Corporation or its Members.

10. GOOD FAITH RELIANCE

In conducting their duties as Officers, each Officer (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 of 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, registered engineers 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 (4) may rely in good faith and with ordinary care on information, opinions, reports or statements by one or more Officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers or other persons retained by the Corporation provided that said Officer reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, an Officer must disclose any knowledge which he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE 11 - MEMBERSHIPS

1. CERTIFICATES OF MEMBERSHIP

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, stolen or destroyed, a replacement certificate may be issued upon such terms and conditions as the Board of Directors may determine. In case any Officer or Officers who shall have signed or whose facsimile signature or signatures shall have been used on any such certificate or certificates shall cease to be such Officer or Officers of the Corporation, whether because of death, resignation or otherwise, before said certificate or certificates shall have been issued, such certificate may nevertheless be issued by the Corporation with the same effect as though the person or persons who signed such certificates or whose facsimile signature or signatures shall have been used thereon had been such Officer or Officers at the date of its issuance.

The Corporation may appoint from time to time agents and registrars who shall perform their duties under the supervision of the Secretary-Treasurer.

Memberships shall be deemed personal property for all purposes.

2. TERMINATION OF MEMBERSHIPS

The membership rights of any subscriber(s) to utility service from the Corporation shall automatically terminate upon the occurrence of any event or change of circumstances which would disqualify the person from membership as provided by the Certificate of Formation or by these by-laws, including but not limited to, the sale of the membership real property to which his/her membership is tied or the expiration of the leasehold at which service is received. The Board of Directors, by affirmative vote of a majority of all Directors, may suspend or expel any Member who is, or whose tenant or other occupier of the Member's fee simple real property is, in default of the payment of scheduled rates and charges, or assessment under Article 14, for a period of sixty (60) days after the same become lawfully due and payable or who violates the prescribed terms and conditions of service applicable to all customers for so long as such violations occur.

3. TRANSFER OF MEMBERSHIP

- (a) A person who owns a membership in 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 within the second degree of 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 as part of the conveyance of real estate from which the membership arose. In such cases the transferee must still qualify for membership as provided herein and pay all applicable transfer fees.
- (c) The transfer of membership under this section does not entitle the transferee to water service unless each condition for water service is met as provided in the Corporation's published rates, charges and conditions of service.
- (d) The Corporation may, consistent with the limitations prescribed by subsection (a) of this section, reassign a cancelled membership to any person or entity that has legal title to the real estate from which the cancelled membership arose and for which water service is requested, subject to compliance with the conditions for water service in the Corporation's published rates, charges and conditions of service.

4. REGISTERED MEMBERS

The Corporation shall be entitled to treat the holder of record of any membership or Certificate of Membership as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such membership on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

5. MEMBERSHIP FEES

A membership fee of FIVE HUNDRED DOLLARS (\$500.00) shall be charged for all memberships applied for in compliance with the Company's Tariff no later than December 31, 2013. For all memberships applied for on and after January 1, 2014, a membership fee of ONE THOUSAND FIVE HUNDRED DOLLARS (\$1,500.00) shall be charged for all memberships. Notwithstanding anything herein to the contrary, the Board of Directors shall be authorized to exchange memberships without the payment of the standard membership fee for property of equal or greater value that benefits the Corporation and enhances its ability to serve the public. All applicants for restored service whose memberships have been forfeited to the Corporation shall pay the then-prevailing membership fee in addition to any applicable reconnection charges. A membership fee and service or reserve application shall be required for each service connection requested regardless of whether the applicant already holds a membership supporting another service connection. Membership fees are non-refundable.

The Members may set and revise the membership fee as a majority of all Members may determine to be appropriate. The Board of Directors may establish deferred payment plans for the payment of initial membership fees for new service applicants or existing customers receiving service without a membership upon whom a one-time payment of the membership fee creates a financial hardship. These plans (if established) shall require the payment of not less than one-half of the membership fee down with the remainder being paid in three (3) equal installments plus the customer's normal monthly utility service bill for the next three months thereafter. Deferred payment plans (of any type or purpose) shall be applied equally to all persons regardless of age, race, color, creed, sex or other federally protected status.

ARTICLE 12 - DEPOSITORY

The Board of Directors shall select as depository for the funds of the Corporation, a bank(s) within the State of Texas which is insured with the Federal Deposit Insurance Corporation and shall require of said depository such bond as the Board deems necessary for the protection of the Corporation; and such funds as the Board of Directors may from time to time allocate to a sinking fund for replacement, amortization of debts and the payment of interest which shall not be required to be expended within the year in which the same is deposited shall be invested in bonds or other evidence of indebtedness of the United States of America or deposited at interest with a depository insured by the Federal Deposit Insurance Corporation in a savings account.

ARTICLE 13 - FINANCIAL RESERVES

The Board of Directors may establish and operate such financial reserves, sinking funds or debt service accounts as may be reasonably necessary to prudent and conservative financial management of the Corporation or to comply with loan or bond covenants entered into between the Corporation and its creditors. Such financial reserves shall not be of such an amount so as to jeopardize the non-profit nature and standing at law of the Corporation.

Subject to such restrictions as may exist under the laws of Texas or of the United States, the Board of Directors may encumber the assets of the Corporation by reasonable liens or security interests as provided by the loan or bond covenants entered into between the Corporation and its creditors. When encumbered, the assets of the Corporation may not be sold, conveyed or disposed of without notice to and permission from the creditor holding such liens or security interests as provided in the loan or bond covenants, except as may otherwise be provided by law and/or the sale and distribution of potable water in the ordinary course of business.

Should the Corporation become indebted to the Texas Water Development Board, Rural Development/Rural Utilities Service, their successor agencies or other state or federal financial institution and such indebtedness is evidenced by bonds or loans, the Board of Directors shall be expressly empowered to adopt such standard and customary water supply service corporation bond or loan resolutions as may be required by the Texas Water Development Board, Rural Development/Rural Utilities Service, their successor agencies or other state or federal financial institution as a condition of such indebtedness.

ARTICLE 14 - MEMBER ASSESSMENTS

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 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 required 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 all Members. Any assessments levied to make up operations deficits in any year shall be levied against Members in proportion to their patronage with the Corporation.

In the event a Member should surrender their Membership certificate properly endorsed by 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 15 - MISCELLANEOUS

1. INFORMAL ACTION

No action required to be taken or which may be taken at a meeting of the Members, Directors or Members of committees, may be taken without a meeting. All actions and votes taken shall be duly recorded in the minutes and records of the Corporation.

2. SEAL

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal of the Double Horn Creek Water Supply Corporation."

3. BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of accounts and shall also keep minutes of the proceedings of its Members and Board of Directors. The Corporation shall keep at the registered or principal office a record giving the names and addresses of the Members entitled to vote. All books and records of the Corporation may be inspected by any Member or his/her agent or attorney for any proper purpose at any reasonable time when so requested in writing.

With prior written request, corporate records, books and annual reports, subject to exceptions provided by the Texas Open Records Act, 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 reasonable charge for the preparation of copies.

In the event of any conflict between the provision of the Open Records Act and the provisions of these By-laws, the provisions of the Open Records Act shall prevail.

4. CHECKS

Two of three of the President, the Vice President and the Secretary-Treasurer or the Secretary-Treasurer and the general manager (if appointed) shall sign all checks or demands for money and notes of the Corporation, provided that the Secretary-Treasurer (or an assistant secretary-treasurer, if appointed) shall also be contemporaneously informed of the details of the payment if the Secretary-Treasurer is not also a signatory on a given check.

5. FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of January and end on the 31st day of December in each and every year.

6. DIRECTORS' ANNUAL STATEMENT

The Board of Directors shall present at each annual meeting of Members a full and clear statement of the business and condition of the Corporation. If required by resolution of the Board of Directors or as a condition of indebtedness to any creditor, such report shall be prepared by an independent Certified Public Accountant. Unless requested by a majority vote of the membership at the annual meeting or a special meeting of the members, an annual audit is not required.


7. AMENDMENTS

The Members shall have the exclusive power, by a simple majority vote of all Members eligible to vote, to adopt, amend, replace or repeal the Corporation's By-Laws.

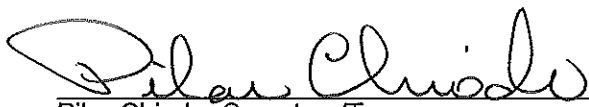
If the Corporation becomes indebted to a state or federal financial institution and said creditor requires similar limitations on the amendment of these by-laws as a condition precedent to necessary debt financing, amendment of these by-laws shall be restricted as set forth in the loan agreement.

AS AMENDED BY THE MEMBERSHIP ON THIS 24th DAY of January, 2019.

Attested:



Curtis Raetz- President



Pilar Chiodo- Secretary/Treasurer