

BY-LAWS OF THE WATSON WATER COMPANY

Amended September 25, 2015

ARTICLE I Miscellaneous

Section 1. Company Name. The name of this company shall be “Watson Water Company, Inc.” (the “Company”).

Section 2. Company Location. The offices of this company shall be in Utica Township, Clark County, State of Indiana.

Section 3. Seal. This company may possess a seal inscribed with the name of the company, the year of its organization and the words, “Non-Stock Company, Watson Water Company, Inc.”

Section 4. Fiscal Year. The fiscal year of this company shall be the same as the calendar year.

ARTICLE II Membership

Section 1. Member Qualifications. Except as otherwise provided in these By-laws, an individual or Entity may become and remain a member of the Company only if: (1) the individual or Entity is a person with the capacity to enter legally binding contracts (“Person”); and (2) the Person consumes, receives, purchases, or otherwise uses, or requests or agrees to use water generated, transmitted, distributed, sold, supplied, furnished, or otherwise provided (“Provided”) by the Company.

An “Entity” includes a domestic or foreign: company; business or nonprofit corporation; sole proprietorship; unincorporated association; limited liability company; partnership; trust; estate; persons having a joint or common economic interest; and local, regional, state, federal, or national government, including an agency or division of a government.

Section 2. Membership Procedure. Except as otherwise provided in these By-laws or by the Board, a qualified Person seeking to become or remain a Member (“Applicant”) must complete the procedures stated in this Bylaw to the Company’s satisfaction (“Membership Procedures”) before using, or requesting or agreeing to use, water supplied by the Company.

To become a Member, an Applicant must complete and sign a written membership agreement provided by the Company in which the Applicant agrees to:

- (1) comply with the Governing Documents;
- (2) ensure that Member Equipment connected to Company Equipment, and any act or omission involving Member Equipment connected to Company Equipment, complies with the Governing Documents;
- (3) be a Member;
- (4) pay the Company at prices, rates, or amounts determined by the Board, and pursuant to the terms, conditions, time, and manner specified by the Company, for: (A) Water supplied by the Company; (B) assessments, fees, deposits, contributions, and other amounts required by the Governing Documents; and (C) interest, late payment fees, and collection costs, including attorney and collection fees, related to amounts owed, but not timely paid, to the Company.

The “Governing Documents” are the written membership agreement signed by an Applicant or Member and the following documents and actions, all as currently existing or as later adopted or amended: (1) all Law regarding or affecting the Company’s property, property rights, and assets (“Assets”), the Company’s operation, the Company’s Members, the Provision and Use of Company Services, Company Equipment, and Member Equipment connected to Company Equipment; (2) the Company’s Articles of Incorporation; (3) these By-laws; (4) the Company’s service rules and regulations; (5) the Company’s rate or price schedules; and (6) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board. A copy of these By-laws and other Governing Documents shall be made available for inspection by any Member at the Company’s office.

“Company Equipment” is a product, equipment, structure, facility, or other good owned, controlled, operated, or furnished by the Company. “Member Equipment” is a product, equipment, structure, facility, or other good: (1) owned, controlled, operated, or furnished by an Applicant or Member; and (2) located on property owned, controlled, operated, or furnished by an Applicant or Member.

To become or remain a Member, an Applicant must: (1) give the Company all information requested by the Company, and (2) complete any additional or supplemental document, contract, or action required by the Board for the Company Service which the Applicant is using or requesting or agreeing to use. Except as required by Law or otherwise provided in these By-laws, the Company will not release, disclose, or disseminate personally identifiable, proprietary, or confidential information regarding a Member.

Except as otherwise provided in these By-laws or by the Board, an Applicant shall pay the Company: (1) assessments, fees, deposits, contributions, and other amounts required by the Governing Documents; and (2) outstanding amounts owed to the Company by the Applicant.

Section 3. Lost Eligibility of Membership. A member ceases to be eligible to hold a Membership as provided herein in the event of death, or willful failure to comply with the Governing Documents, or willful obstruction of the purposes and proper activities of the Company. Any member whose membership is terminated for cause other than that of ceasing to be eligible may appeal from the action of the Board of Directors to a vote of the members at the next meeting of the members or special meeting of the members for such purpose, however, the cost of calling a special meeting shall be borne by the member appealing the Board action.

Section 4. Provision of Company Service. A Member shall comply with any reasonable procedure required by the Company regarding the Provision of a Company Service. Based upon different costs of providing a Company Service to different groups of Members, the Company may charge each group a different rate or price for providing the Company Service.

(a) Interruption of Company Service. The Company shall Provide Company Services to Members in a reasonable manner. The Company, however, does not insure, guarantee, or warrant that it will provide adequate, continuous, or non-fluctuating water service or other Company Service. The Company is not liable for damages, costs, or expenses, including attorney fees or legal expenses, caused by the Company providing inadequate, non-continuous, or fluctuating water service or other Company Service, unless the damages, costs, or expenses are caused by the Company’s gross negligence or willful misconduct. The Company’s responsibility and liability for providing a Company Service terminate upon delivery of the Company Service to a Member. In case of emergency, or as requested by government or

(b) Safe and Protected Operation of Company. A Member shall take or omit any act required by the Company to safely, reliably, and efficiently operate the Company and provide a Company Service, which act involves: (1) a Location Occupied by the Member and to or for which the Company Provides or will Provide a Company Service; (2) real or personal property in which the Member possesses a legal or equitable right or interest (“Member Property”); (3) Company Equipment; or (4) Member Equipment connected to Company Equipment. A Member shall: (1) protect Company Equipment and Member Equipment connected to Company Equipment; and (2) install and maintain any protective device, and implement and follow any protective procedure, required by the Company. As necessary to safely, reliably, and efficiently operate the Company and Provide a Company Service, the Company may temporarily suspend or terminate provision of a Company Service. A Member shall not tamper with, alter, interfere with, damage, or impair Company Equipment. Except as otherwise provided by the Board, the Company owns all Company Equipment.

(c) Member Equipment Connected to Company Equipment. Except as otherwise provided by the Board, before Member Equipment is connected to Company Equipment, the Company must approve the connection. Before and while Member Equipment is connected to Company Equipment, the Member:

- (1) shall comply with, and shall ensure that the Member Equipment, the connection, and any act or omission regarding the Member Equipment and the connection comply with the Governing Documents, including terms, conditions, requirements, and procedures required by the Company regarding the Member Equipment and the connection;
- (2) shall ensure that the Member Equipment and the connection do not adversely impact the Company’s ability to safely, reliably, and efficiently operate the Company or Provide a Company Service;
- (3) grants the Company the right to inspect the Member Equipment and the connection to determine whether the Member Equipment and connection comply with the Governing Documents;
- (4) grants the Company the right to disconnect or temporarily operate Member Equipment that does not comply with the Governing Documents or that adversely impacts the Company’s ability to safely, reliably, and efficiently operate the Company or Provide a Company Service; and
- (5) shall pay the Company for income not received or accrued because of the connection.

If Member Equipment is connected to Company Equipment, then: (1) the Member is, but the Company is not, responsible for designing, installing, operating, maintaining, inspecting, repairing, replacing, and removing the Member Equipment; (2) the Company is not liable for damage to, or for the performance of, the Member Equipment; (3) the Company is not liable for damage to Member Property; (4) the Member is responsible for knowing the concerns, risks, and issues associated with operating the Member Equipment and connecting the Member Equipment to Company Equipment; (5) the Member is liable for damage to, and for the nonperformance of, the Company Equipment caused by the Member Equipment or the connection; and (6) the Member is liable for, and must indemnify the Company against, injury or death to any Person and damage to any property caused by, or resulting from, the Member Equipment or the connection.

(d) Suspension or Termination of Company Service. After providing a Member reasonable notice and an opportunity to comment orally or in writing, the Company may suspend or terminate the Provision of a Company Service to the Member for a Suspension Reason. Without providing a Member notice or an opportunity to comment, the Company may suspend or terminate the Provision of a Company Service to the Member upon determining or discovering:

- (1) that Company Equipment used to Provide the Company Service has been tampered with, altered, interfered with, damaged, or impaired;
- (2) that Member Equipment connected to Company Equipment adversely impacts the Company's ability to safely, reliably, and efficiently operate the Company or Provide a Company Service;
- (3) the unsafe condition of Company Equipment or Member Equipment connected to Company Equipment; or
- (4) an imminent hazard or danger posed by Company Equipment or Member Equipment connected to Company Equipment.

Section 5. Membership Agreement. A Member shall: (1) comply with the Governing Documents; (2) provide and maintain a current mailing address and telephone number with the Company; and (3) pay the Company for the Company's damages, costs, or expenses, including attorney fees and legal expenses, caused by or associated with the Member's failure to comply with the Governing Documents. If a Member fails to comply with the Governing Documents, then, as provided in these By-laws, the Company may suspend or terminate the Member or a Company Service Provided to the Member. Regardless of whether money damages are available or adequate, the Company may: (1) bring and maintain a legal action to enjoin the Member from violating the Governing Documents; and (2) bring and maintain a legal action to order the Member to comply with the Governing Documents.

The Articles of Incorporation and these By-laws are contracts between the Company and a Member. By becoming a Member, the Member acknowledges that: (1) Every Member is a vital and integral part of the Company; (2) the Company's successful operation depends upon each Member complying with the Governing Documents; and (3) Members are united in an interdependent relationship.

As requested by the Company, a Member shall: (1) submit a claim or dispute between the Member and the Company regarding the Governing Documents, the Company's Provision of a Company Service, or the Member's Use of a Company Service to mediation and/or arbitration at Company's sole option and shall comply with any arbitration award; and (2) indemnify the Company for, and hold the Company harmless from, liabilities, damages, costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the Company, or by a Company Director, Officer, employee, agent, or representative ("Company Official"), and caused by the Member's negligence, gross negligence, or willful misconduct, or by the unsafe or defective condition of a location occupied by the Member.

In general, a Member is not liable to third parties for the Company's acts, debts, liabilities, or obligations solely because of membership in the Company. A Member may become liable to the Company as provided in the Governing Documents or as otherwise agreed to by the Company and the Member.

Section 6 – Joint Membership. Persons who qualify to be Members may hold a joint membership in the Company ("Joint Membership"). A Joint Membership may consist only of individuals occupying the same Location to or for which the Company provides or will provide a Company Service, each of whom qualifies to be a Member.

(a) Creating a Joint Membership. To become a joint member of the Company, qualified Persons must jointly complete the Membership Procedures within a reasonable time of initially using, or requesting or agreeing to use, the first Company Service used or to be used by the Persons. Qualified Persons become joint members of the Company ("Joint Members") and consent to being Joint Members in the same manner as Members become Members and consent to being Members. As provided or allowed by the Board, a Member may convert the Member's individual membership to a Joint Membership with a qualified Person. During all times when a qualified Person is a Joint Member, a

(b) Rights and Obligations of Joint Members. Except as otherwise provided in these By-laws, a Joint Member has and enjoys the rights, benefits, and privileges, and is subject to the obligations, requirements, and liabilities, of being a Member. Joint Members are jointly and severally liable for complying with the Governing Documents. As used in these By-laws and except as otherwise provided in these By-laws, a membership includes a Joint Membership and a Member includes a Joint Member. For a Joint Membership:

- (1) notice of a meeting provided to one Joint Member constitutes notice to all Joint Members;
- (2) waiver of notice of a meeting signed by one Joint Member constitutes waiver of notice for all Joint Members;
- (3) the presence of one or more Joint Members at a meeting constitutes the presence of one Member at the meeting;
- (4) the presence of one Joint Member at a meeting waives notice of the meeting for all Joint Members;
- (5) if only one Joint Member votes on a matter; signs a petition, consent, waiver, or other document; or otherwise acts, then the vote, signature, or action binds the Joint Membership and constitutes one vote, signature, or action;
- (6) if more than one Joint Member votes on a matter; signs a petition, consent, waiver, or other document; or otherwise acts, then each vote, signature, or action constitutes a vote, signature, or action divided pro rata based upon the number of voting Joint Members;
- (7) except upon the cessation of marriage, cessation of the legally recognized relationship, failure to Occupy the same Location to or for which the Company Provides or will Provide a Company Service, the suspension or termination of a Joint Member constitutes the suspension or termination of all Joint Members; and
- (8) a Joint Member qualified to be a member of the Board (“Director”) may be a Director, regardless of whether another Joint Member is qualified to be a Director, but if more than one Joint Member is qualified to be a Director, then only one Joint Member may be a Director.

(c) Terminating a Joint Membership. Joint Members shall notify the Company in writing of a cessation of marriage, cessation of the legally recognized relationship, failure to occupy the same Location to or for which the Company provides or will provide a Company Service. Upon determining or discovering the cessation of marriage, cessation of the legally recognized relationship, failure to Occupy the same Location to or for which the Company provides or will provide a Company Service:

- (1) if one Joint Member remains qualified to be a Member and continues to use a Company Service at the same Location, then the Joint Membership converts to a membership comprised of this Person;
- (2) if more than one Joint Member remains qualified to be a Joint Member and continues to use a Company Service at the same Location, then the Joint Membership converts to a membership comprised of these Persons;
- (3) if all Joint Members remain qualified to be Joint Members and continue to use a Company Service at the same Location, then the Joint Membership converts to a membership of Persons determined by the Company; and
- (4) if no Joint Member remains qualified to be a Member and continues to use a Company Service at the same Location, then the Joint Membership terminates.

Section 7. Payment for Company Service. At prices, rates, or amounts determined by the Board, and pursuant to terms, conditions, time, and manner specified by the Company, a Member shall pay the

Company for: (1) Company Services Provided to the Member or Provided to or for a Location Occupied by the Member; and (2) assessments, fees, deposits, contributions, or other amounts required by the Governing Documents.

Section 8. Member Suspension. The Company may suspend a Member for the following reasons (“Suspension Reasons”):

- (1) as provided in the Governing Documents;
- (2) as determined by the Board for good cause;
- (3) the Member is no longer qualified to be a Member;
- (4) the Member does not timely pay an undisputed amount due the Company;
- (5) the Member violates or does not timely comply with the Governing Documents;
- (6) the Member ceases using a Company Service for **(3) three** consecutive months; or
- (7) the Member requests suspension.

Except as otherwise provided in these By-laws or by the Board, a Member is suspended upon:

- (1) the Member’s request for suspension; or
- (2) the Company: (A) providing the Member written notice of the Member’s possible suspension and the applicable Suspension Reason at least five (5) days before the possible suspension; (B) notifying the Member that the Member has a right to, and allowing the Member an opportunity to, comment upon the Suspension Reason orally or in writing at least five (5) days after the Company provides the notice; and (C) determining to suspend the Member.

The Company must provide any written suspension notice to the Member’s most current address shown on the Membership List.

Upon a Member’s suspension:

- (1) other than the Company’s obligations regarding dissolution, the Company’s duties, obligations, and liabilities imposed by the Governing Documents for the Member cease and the Company may cease providing a Company Service to the Member; and
- (2) other than the Member’s rights upon the Company’s dissolution, the Member forfeits and relinquishes rights provided in the Governing Documents, but remains subject to obligations imposed by the Governing Documents. In particular, a suspended Member may not receive notice, nominate, vote, remove, demand, request, petition, consent, or otherwise act as provided in the Governing Documents.

Unless the Company determines otherwise, a Member’s suspension is lifted upon the Member rectifying the applicable Suspension Reason within five (5) days of the suspension. The Company may lift a Member suspension for good cause determined by the Board.

ARTICLE III Member Meetings and Member Voting

Section 1. Annual Membership Meeting. The annual meeting of the members shall be at Watson, Indiana, or at such place and time designated by the Board of Directors, within Clark County, Indiana, as is reasonably convenient to a majority of the members on a date which coincides with a regular monthly Board of Directors meeting. The Board of Directors must determine the date, time, and location of an Annual or Special Member Meeting. The Company’s failure to hold an Annual or Special

Member Meeting does not affect an action taken by the Company. The members shall be notified of all annual and other membership meetings as required by law.

Section 2. Special Membership Meetings. The Company shall hold a special meeting of Members (“Special Member Meeting”) upon receiving: (1) a written request from any three members of the Board of Directors; (2) a written or oral request of the President; or (3) one or more written demands signed and dated within thirty (30) days after the first signature by at least (10%) ten percent of the total number of unsuspended Members (“Total Membership”), with each page of each written demand requesting and describing the purpose of the meeting (“Member Demand”). The Board shall determine the date, time, and location of a Special Member Meeting. No business shall be transacted at a Special Member Meeting except such as is specified in the notice. Such notice shall be mailed to each member of record, directed to the address shown on the books, at least (10) ten days prior to the meeting; and such notice shall state the nature, time, place and purposes of the meetings but no failure or irregularity of notice, of any annual meeting, regularly held, shall affect any proceedings taken thereat.

Section 3. Quorum. The members present at any meeting of the members shall constitute a quorum at any meeting for the transaction of business. No member shall be entitled to more than one vote only regardless of the number of connections or meters provided to the member and no voting by proxy shall be allowed.

Section 4. Member Action Without a Member Meeting. Except as otherwise provided in these By-laws, Members may not act without a Member Meeting.

Section 5. Notice of Member Meetings. As directed by the President, Secretary, or any other Officer or Member properly calling the Member Meeting, the Company shall deliver written notice of a Member Meeting personally or by mail, either with or without other documents, to all Members. This notice must indicate the date, time, and location of the meeting and must be delivered at least (10) ten days, but no more than (60) sixty days, before the meeting. For a Special Member Meeting, this notice must state the purpose of the meeting and describe any matter to be considered or voted or acted upon at the meeting. This notice must describe any matter that Members have properly requested be raised and discussed at the meeting.

Section 6. Order of Business. The order of business at the annual membership meetings and so far as possible and applicable at all other membership meetings shall be:

1. Call to order and proof of quorum.
2. Proof of notice of meeting.
3. Reading and action on any unapproved minutes.
4. Reports of officers and committees.
5. Election of directors (in the case of annual membership meetings).
6. Unfinished business (in the case of annual membership meetings).
7. New business (limited to purposes stated for Special Member Meetings).

8. Adjournment.

Section 7. Member Waiver of Notice. A Member may waive notice of a Member Meeting, or of a matter to be considered, or voted or acted upon, at a Member Meeting, by signing and delivering to the Company a written waiver of notice (“Member Meeting Waiver of Notice”) either before the Member Meeting or within thirty (30) days after the Member Meeting.

Unless a Member objects to holding a Member Meeting, or to transacting business at the Member Meeting, the Member’s attendance in person at the Member Meeting waives the Member’s objection to lack of notice, or to defective notice, of the Member Meeting. Unless a Member objects to considering, or voting or acting upon, a matter at a Member Meeting, the Member’s attendance in person at the Member Meeting waives the Member’s objection to considering, or voting or acting upon, the matter at the Member Meeting.

Section 8. Member Voting. If a Member presents identification or proof of Company membership as reasonably required by the Company, and if the Member is not suspended as of the date when a membership vote occurs, then, regardless of the value or quantity of Company Services used, the Member may cast one (1) vote on a matter for which the Member is entitled to vote. To vote for an Entity Member, an individual must present evidence requested by and satisfactory to the Company that the individual is authorized to vote for the Entity Member.

Except as otherwise provided in these By-laws, Members approve a matter if: (1) a Member Quorum is present in person; and (2) a majority of Members present in person, who are entitled to vote on the matter, vote in favor of the matter.

At a Member Meeting, the individual presiding over the Member vote may require the Members to vote by voice. If the individual presiding over the Member vote determines, in good faith, that a voice vote is not sufficient to accurately determine the vote results, then the Members shall vote by written ballot (“Written Ballot”), or in any other reasonable manner determined by the Board. Members may not cumulate votes.

ARTICLE IV
Board of Directors

Section 1. Director Qualifications. To become and remain a Director, a Person must comply with the following qualifications (“Director Qualifications”):

- (1) be a Member whose membership has not been suspended;
- (2) for at least six continuous months immediately prior to director elections, and for at least eleven full months during each calendar year, purchase water from the Company;
- (3) have the capacity to enter into legally binding contracts;
- (4) not have been previously removed or disqualified as a Director;
- (5) not be an existing employee;
- (6) not be a former employee whose employment was involuntarily terminated by the Company;
- (7) not be a former employee who has been employed at the Company twelve (12) months prior to the Director election;
- (8) while a Director, and during the ten years immediately before becoming a Director, not be convicted of, or plead guilty to, a felony or more than two (2) misdemeanors;
- (9) before becoming a Director, graduate from high school or earn an equivalent degree or GED certification;

- (10) except as otherwise provided by the Board for good cause, attend at least two-thirds of all Board Meetings during each calendar year; and
- (11) comply with any other reasonable qualifications determined by the Board.

(a) Director Disqualification. After being elected or appointed, if a Director does not comply with all Director Qualifications, then, except as otherwise provided by the Board for good cause, the Board may disqualify the Director and the individual is no longer a Director if:

- (1) the Board notifies the Director in writing of the basis for, and provides the Director an opportunity to comment regarding, the Board's proposed disqualification; and
- (2) within thirty (30) days after the Board notifies the Director of the proposed disqualification, the Director neither complies with nor meets the Director Qualification.

If a majority of Directors complies with the Director Qualifications and approves a Board action, then the failure of a Director to comply with the Director Qualifications does not affect the Board action.

Section 2. Director Nominations. The President of the Board shall appoint, no later than sixty days before the member meeting at which an election is to take place, a nominating committee comprised of one Board member, whose term of office will not expire during the year of his appointment, and one member from the membership at large. This nominating committee shall present to the Board of Directors, no later than forty-five (45) days before the member meeting at which an election is to take place, a state of nominees who will seek a position as a Director at the election to be held at the same Monday in March or April at which the Board conducts its regular Board of Directors meeting. The President of the Board shall not be a member of the committee. Further, any member of the corporation may submit their name in writing to the secretary of the Board, mailed to the office of the company, early enough so that it will be in the office of the Company no later than forty-five (45) days before the member meeting at which an election is to take place. There will be no nominations from the floor at the meeting. Any member who follows the above shall have their name placed on the ballot as seeking a position on the Board of Directors. All names of members received as outlined above, shall be posted in a conspicuous place in the office of the company not less than thirty (30) days prior to the election at the *site* selected by the Board of Directors. The Board of Directors shall determine the date of the member meeting at which elections are to occur seventy-five (75) days in advance and shall notify the membership of such meeting by United States first class mail, sufficient postage prepaid, not later than the next billing cycle which follows the setting of the meeting date.

Section 3. Election of Officers. The Board of Directors shall meet within ten days after their election and shall elect by ballot a president, vice-president, secretary and treasurer (or secretary-treasurer) from their number, each of whom shall hold office until the next annual meeting and until election and qualification of their successor unless sooner terminated by death, resignation or for cause.

Section 4. Director/Officer Vacancies. If the office of any director or officer becomes vacant by reason of death, resignation, retirement, disqualification, or otherwise, except by removal from office, a majority of the remaining directors shall choose a successor who shall hold office until the next meeting of the members at which time the members shall elect a director for the unexpired term or terms.

Section 5. Director Compensation. A Director is not an employee of the Company. As determined or approved by the Board, however, the Company may reasonably and fairly compensate Directors a fixed fee and expenses for attending a Board meeting, attending functions or events involving or relating to the Company, or attending a function or event involving, relating to, or reasonably enhancing the Director's ability to serve in the role of Director. The Board must determine or approve the manner, method and amount of any Director compensation. Directors may be reimbursed for mileage at

the rate approved by the Internal Revenue Service for travel involving Company business. Officers may receive a higher level of compensation than non-officers. Per diem or stipend amounts for Director compensation may not be changed any more often than once per twelve (12) continuous months.

Section 6. Director Removal from Office. Officers and Directors may be removed from office in the following manner: Any member, officer, or director may present charges against a director or officer by filing them in writing with the secretary of the company. The charges must be accompanied by a petition signed by (10%) ten percent of the membership of the company. Such removal shall be voted on at the next regular meeting or special meeting of the members and shall be effective if approved by a vote of the majority of the members present. The director or officer against whom such charges have been presented shall be informed in writing of such charges no less than fifteen (15) days prior to the meeting. The director or officer against whom charges have been made shall have the following rights: to confront and cross-examine any witnesses who testify against him or her, the opportunity to be heard in person or by counsel, the right to present witnesses. Any person who signed the petition which presents charges against a director or officer may be represented by counsel at his or her own expense, and not at the expense of the Company, and shall have the burden of establishing the charges by a preponderance of the evidence and the right to cross-examine any witnesses who testify on behalf of the director or officer charged. If the removal of a director is approved, such action shall also vacate any other office held by the removed director. A vacancy in the board thus created shall immediately be filled by a vote of majority of the members present and voting. A vacancy in any office thus created shall be filled by the directors from among their number so constituted after the vacancy in the board has been filled.

Section 7. (a) Director Standard of Conduct. A Director is not deemed a trustee regarding the Company held or administered by the Company, including property potentially subject to restrictions imposed by the property's donor or transferor. A Director shall discharge the Director's duties, including duties as a Board Committee member:

- (1) in good faith;
- (2) in a manner the Director reasonably believes to be in the Company's best interests;
- (3) when becoming informed in connection with the Director's decision-making function or devoting attention to the Director's oversight function, with the care that an individual in a like position would reasonably believe appropriate under similar circumstances; and
- (4) in a manner in which the Director discloses or causes to be disclosed to other Directors or Board Committee members information not known by them, but known by the Director to be material to discharging their decision-making or oversight functions, except that disclosure is not required to the extent that the Director reasonably believes that disclosure would violate a duty imposed under law, a legally enforceable obligation of confidentiality, or a professional ethics rule.

(a) Director Reliance on Others. Unless a Director has knowledge making reliance unwarranted, then in discharging the Director's duties, including duties as a Board Committee member, the Director may rely: (1) on the performance by any of the following individuals listed in (A) or (C) to whom the Board has formally or informally delegated the authority or duty to perform one or more of the Board's delegable functions; and (2) upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by any of the following individuals:

- (A) one or more Company Officers or employees whom the Director reasonably believes to be reliable and competent in the functions performed or the information, opinions, reports, or statements provided;
- (B) legal counsel, public accountants, or other individuals retained by the Company regarding matters involving skills or expertise the Director reasonably believes are matters within the individual's professional or expert competence and as to which the individual merits confidence; and

- (C) a Board Committee of which the Director is not a member if the Director reasonably believes the Board Committee merits confidence.

ARTICLE V
Powers of Board of Directors

The Board of Directors subject to restrictions of law, the articles of incorporation, and/or these By-laws shall exercise all of the powers of the Company, and without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board of Directors shall have, and are hereby given, full power and authority, upon approval of the members of the board by a majority vote at regular or special meeting, in respect to the matters as hereinafter set forth:

- A. To pass upon the qualifications of members, and to cause appropriate membership to be issued.
- B. To select and appoint all officers, agents and employees and removal of same for just cause, fix their compensation and pay for services, and prescribe their duties as may be not inconsistent with these By-laws.
- C. To borrow from any source, money, goods, or services and to make and issue notes and other negotiable and transferrable instruments and to do every act necessary to effectuate the same.
- D. To prescribe, adopt, and amend, from time to time such equitable uniform rules and regulations as, in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the company and the guidance and control of its officers and employees, and to prescribe adequate penalties for breach thereof.
- E. To order an annual audit of the books and accounts by a competent auditor or accountant. The report prepared by such person shall be submitted to the members at the annual meeting.
- F. To fix charges to be paid, the time of payment, and manner of collection by each member for services rendered to him.
- G. To require adequate bonds, the cost thereof to be paid by the company, by all officers, agents, and employees charged with responsibility for custody of any funds of the company.
- H. To select the bank or banks to act as depositories of the funds provided such funds are covered by insurance. To determine the manner of receiving, depositing, and disbursing of funds, and the form of checks and the person or persons by whom the same shall be signed with the power to make changes thereof at will.
- I. To levy assessments against members of the company and to enforce the collection of such assessments in the manner provided for enforcement of collection of water charges by the revocation of delinquent memberships failing to pay such assessments within the time prescribed for payment, provided, that

prior to such revocation the Board must give the member at least thirty days written notice at the last address of the member on the books of the company of its intention to revoke the membership if the assessment is not paid by a specified date.

ARTICLE VI Duties of Officers

Section 1. DUTIES OF PRESIDENT. The President shall preside at all meetings of the association and of the Board of Directors: shall call special meetings of the board: shall perform such other duties as may be prescribed in these by—laws or assigned to him by the Board of Directors: and **shall sign all memberships** and such other papers as he may be authorized or directed to sign by the Board of Directors.

Section 2. DUTIES OF VICE-PRESIDENT. The Vice-President shall act as aide to the President and shall perform the duties of the President in the absence or inability of that officer to serve.

Section 3. DUTIES OF SECRETARY. The Secretary shall record the minutes of all meetings of the company and of the Board of Directors. He shall sign all memberships with the President and such other paper; pertaining to the company as he may be authorized or directed to do so by the Board. He shall serve all notices required by law and by these By-laws and shall make a full report of all matters pertaining to his office to the members at the annual meeting. He shall keep the corporate seal and membership records of the corporation and shall affix the seal to all papers requiring same. He shall keep a proper membership record, showing the name, date of issuance, surrender, cancellation, or forfeiture. He shall perform such duties as may be delegated to him including the turn over to his successor all books and other property belonging to the company that he may have in his possession.

Section 4. DUTIES OF TREASURER. The Treasurer shall receive all moneys of the company: shall keep an accurate record of receipts and expenditures: and shall pay out funds as authorized by the company. The Treasurer shall present a financial statement every meeting of the Board of Directors and at other times when requested by the Board and shall make a full report at the annual meeting. The Treasurer shall furnish the company a fidelity bond in an amount equal to the largest sum of funds in his possession at any time.

Section 5. All officers shall perform the duties prescribed in the parliamentary authority in addition to those outlined in these by—laws and those assigned from time to time. The officers shall deliver to their successors all official material, records and property within ten days following the meeting at which they are elected and qualified.

ARTICLE VII Water Service

Section 1. The company will install, maintain and operate a main distribution pipe line or lines from the source of water supply, and service lines from the main distribution line or lines to the property line of each member of the company, at which points, designated as delivery points, meters to be purchased, installed, owned and maintained by the company shall be placed. The cost of the service line or lines from the main distribution line or lines to the company to the property line of each member shall

be paid by the company. The company will also purchase and install a cut-off valve in each service line from its main distribution line or lines, such cut-off valve to be owned and maintained by the company and to be installed on some portion of the service line owned by the company. The company shall have the sole and exclusive right to use such cut-off valve to turn it on and off.

Section 2. Each member shall be entitled to not to exceed one (1) service line from the company's water system unless otherwise approved by the Board of Directors and provided that the member shall be required to pay the prevalent tap fee for each service line. No new service line or change in an existing service line may be made which will interfere with an existing service line or the delivery of water therein. Each service line shall connect with the company's water system at the nearest available place to the place of desired use by the member if the company's water system shall be of sufficient capacity to permit the delivery of water through a service line at that place without interfering with the delivery of water through a prior service line. If the company's water system shall be inadequate to permit the delivery of water through a service line installed at such place without interfering with the delivery of water through a prior service line, then such service line shall be installed at such place as may be designated by the company. Each member will be required to dig or have dug a ditch, to purchase and install, and to maintain such portion of the service line or lines from the property line of the member to his own dwelling or other place of use on his premises at his own expense, provided that the company may, if the Board of Directors so elect, purchase the pipe for and install such portion of such service line or lines, the cost of which will, however, be paid by the individual member.

Section 3. In the event the total water supply shall be insufficient to meet all the needs of the member or in the event of a water shortage, the company may prorate the water available among the various members on such basis as is deemed equitable by the Board of Directors.

Section 4. The Board of Directors may determine the water rates to be charged at any time as needed to assure the fiscally sound operation of the Company. The flat minimum monthly rate as set up in the water rate schedule for the year, will be payable irrespective of whether any water is used by a member during any month. The Board of Directors shall fix the date for the payment of such charges, and shall notify each member or cause each member to be notified of the amount of such charges and dates for the payment thereof. A member to be entitled to the delivery of water shall pay such charges at the office of the company at or prior to the dates fixed by the Board of Directors.

Section 5. The Board of Directors shall be authorized to require each member to enter into water users' agreements which shall embody the principles set forth in the foregoing sections of this article.

ARTICLE VIII Roberts Rules of Order

The rules contained in Robert's Rules of Order Newly Revised 10th Edition shall govern the Company in all cases to which they are applicable, and in which they are not inconsistent with the articles of incorporation, By-laws or the special rules of order of the Company.

ARTICLE IX

Amendments to By-laws

Amendments of these By-laws may be adopted by a vote of not less than a two-thirds majority of the Directors, if the Directors have been given at least ten days (10) written notice of the full extent of the proposed By-laws amendments.

ARTICLE X Government Loans

For so long as the corporation is indebted for a loan or loans made to them by any local, state or federal agency, the By-laws shall not be altered, amended, or repealed without the prior consent of such agency.