

BY-LAWS
OF
COMMUNITY WATER COMPANY OF GREEN VALLEY

an Arizona non-profit corporation

Adopted November 22, 1975

as amended August 13, 2001

ARTICLE I

Offices

Section 1. Principal Office. The principal office of the Corporation shall be first located in the unincorporated community of Green Valley, County of Pima, State of Arizona. Said office may, from time to time, be moved elsewhere in Pima County as determined by the Board of Directors of the Corporation.

Section 2. Other Offices. The Corporation may maintain other offices within the County of Pima as determined by the Board of Directors.

ARTICLE II

Membership

Section 1. Qualifications. Any subscriber for the services of the Corporation may become a member of the Corporation. Any member of the Corporation in good standing as of the 27th day of July, 1977, shall be and continue to be a member of the Corporation until membership is terminated as provided in Section 4 of this Article. Any subscriber for the services of the Corporation as of the 27th day of July 1977, who is not a member of the Corporation may become a member by making application for membership and paying a membership fee in the amount of \$2.00. Any subscriber for the services of the Corporation making application for a service connection after the 27th day of July, 1977, shall become a member of the Corporation by making such application for service connection and paying the service connection fee fixed by the Board of Directors of the Corporation with the approval of the Arizona Corporation Commission. No member shall hold more than one (1) membership.

Section 2. Purchase of Water. Each meter holder using the services of the Corporation shall pay therefor the rates fixed by the Board of Directors of the Corporation with the approval of the Arizona Corporation Commission and receive water service subject to the conditions, rules and regulations prescribed by the Board of Directors, subject to the approval of the Arizona Corporation Commission.

Section 3. Joint Membership and Conversion Thereof.

A. A husband and wife shall have a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these By-Laws shall be deemed to include a husband and wife holding a joint membership, and any provisions related to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member, and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote, but in the event of disagreement between husband and wife who are both present at a meeting, the joint membership shall be deemed to have abstained from voting;
- (c) A proxy executed by either or both shall constitute one joint proxy;
- (d) A waiver of notice signed by either or both shall constitute a joint waiver;
- (e) Notice to either shall constitute notice to both;
- (f) Expulsion of either shall terminate joint membership;
- (g) Withdrawal of either shall terminate the joint membership; and,
- (h) Either but not both may be elected or appointed as an officer or director, provided that the person meets the qualifications for such office.

Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor.

B. Any firm, association, corporation, or body politic or subdivision thereof, shall designate in writing the member, officer or elected official who shall be the designated person to cast the vote for such firm, association, corporation or body politic or subdivision thereof.

Section 4. Other Members. The Board of Directors may elect a person to be a member of the Corporation. No more than three persons elected pursuant to this provision may be members of the Corporation at any one time.

---as amended February 24, 1997

Section 5. Termination of Membership. Any member of the Corporation may withdraw from membership by notifying the Secretary of the Corporation in writing by regular mail of such withdrawal. Membership of any member shall be terminated when all water service to the member's premises is discontinued for any cause.

---as renumbered February 24, 1997

ARTICLE III

Assessment of Members

Section 1. Relevant Articles of Incorporation Provisions. Articles III, IV, and X of the Articles of Incorporation provide that the private property of the members shall be exempt from the debts of the Corporation but that members shall be subject to assessment as provided in these By-Laws.

---as amended August 20, 1977

ARTICLE IV

Meeting of Members

Section 1. Annual Meeting. A date for the annual meeting of the membership shall be set for each annual year by the Board of Directors at the last scheduled meeting of the Board of Directors held during the preceding year, at such a place in the community of Green Valley, Arizona, as shall be designated in the notice of the meeting, for the purpose of electing Directors, passing on reports for the previous fiscal year, and transacting such other business as may come before the meeting. It shall be the responsibility of the Chairman of the Board to make adequate plans and preparation for the annual meeting.

---as amended August 13, 2001

Section 2. Special Meeting. Special meetings of the members may be called by resolution of the Board, by the Chairman of the Board, upon a written request signed by any three Directors or by the Secretary upon receipt of the written request of twenty percent (20%) of the members. Special meetings of the members may be held at any place within the unincorporated community of Green Valley, Arizona, specified in the notice of the special meeting.

---as amended April 25, 1988

Section 3. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting, and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose for which the meeting is called, shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the

meeting, to each member, and such notice shall also be published at least once not less than ten days before such meeting in a newspaper published in Pima County. If mailed, individual notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Corporation, with postage thereon prepaid. If personally delivered, individual notice shall be valid if delivered to any dwelling or office served by any water service connection of the member. If notice was mailed or delivered as aforesaid and published, the failure of any member to receive notice of a meeting shall not invalidate the said meeting.

Section 4. Quorum. As long as the total number of members does not exceed five hundred (500), ten percent, (10%) of the total numbers of members, whether present in person or by proxy, shall constitute a quorum. In case the total number of members shall exceed five hundred (500), fifty (50) members or five percent (5%) of the membership, present in person or by proxy, whichever shall be the larger, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

Section 5. Voting. Each member shall be entitled to only one vote. All questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the Articles of Incorporation, or these By-Laws. Cumulative voting shall not be allowed.

Section 6. Proxies. A member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be valid at any meeting commenced more than sixty days from the date of its execution. No proxy shall be valid unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. A member may designate as his proxy only another member or an adult relative living in the same household with such member. The presence of a member at a meeting shall revoke any proxy theretofore executed by him, and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

Section 7. Order of Business. The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows:

1. Report on the number of members present in person or by proxy in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the service and publication thereof, or the waiver or waivers of notice, as the case may be.
3. Reading of unapproved minutes of previous meeting of the members and the taking of necessary action thereon.

4. Presentation and consideration of reports of officers, directors and committees.
5. Election of Directors.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE V

Directors

Section 1. General Powers. The business and affairs of the Corporation shall be managed by a Board of nine Directors, which Board shall exercise all of the powers of the Corporation except those which are by law, the Articles of Incorporation, or these By-Laws conferred upon or reserved to the members.

Section 2. Tenure and Classes of Directors. There shall be three classes of Directors, A, B, and C. Each year three Directors shall be elected to the C Class, the previous year's C Class Directors shall be elevated to the B Class and the previous year's B Class Directors shall be elevated to the A Class. The terms of the previous year's A Class Directors shall lapse upon qualification of the newly elected C Class Directors.

In the event death, resignation, disqualification or other inability to serve shall occur respecting any Director, a replacement Director shall be elected by an affirmative vote of no less than a quorum of a majority of the remaining Directors or by a sole remaining Director, and any Director so chosen shall hold office until the next election of Directors when a successor is elected and qualified. When one or more Directors resign from the Board, effective at a future time, a majority of the Directors then in office, including those who have so resigned, may fill such vacancy, the vote on the vacancy to take effect when such resignation become effective. Each Director so chosen shall hold office as provided for the filling of other vacancies.

Classification of Directors shall be for the purpose of preserving records of tenure and continuity on the Board and shall have no other significance.

---as amended April 25, 1988

Section 3. Initial Directors and Their Successors. As set forth in Article VI of the Articles of Incorporation, the first Directors of the Corporation have heretofore been elected. The names of the persons elected to serve as the initial Directors are subscribed to the Articles of Incorporation. At the organizational meeting, the incorporators and those members present shall elect nine Directors. The three persons receiving the lowest number of votes shall become the A Class Directors; the three

persons having the highest number of votes shall become C Class Directors, and the remaining persons shall become B Class Directors. At the next annual meeting of the Corporation, the B and C Class Directors shall be elevated as set forth in Section 2 above to the A and B Class, and new Directors of the C Class shall be elected. The retiring A Class Directors shall be eligible for nomination and election as C Class Directors at said annual meeting.

Section 4. Qualifications. No persons shall be eligible to become or remain a Director or hold any office in the Corporation who is not a member thereof, except for the Secretary. Upon establishment of the fact that a Director is holding office in violation of the foregoing provision, the Board shall remove such Director from office, but nothing contained in this section shall affect in any manner whatsoever the validity of any action taken by the Board at any meeting thereof.

--as amended February 24, 1997

Section 5. Removal of Directors by Members. Any member may bring charges against a Director and, by filing with the Secretary such charges in writing, together with a petition signed by at least ten percent of the members, may request the removal of such Director by reason thereof. Such Directors shall be informed in writing of the charges at least ten days prior to the meeting of the members at which the charges are to be considered, and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges, and the person or persons bring the charges against him shall have the same opportunity, the persons bringing such charges at such meeting having the burden of proof and the burden to be forward with the evidence. The question of the removal of such Director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal shall be filled as provided in Article V, Section 2 of the By-Laws.

Section 6. Compensation. Directors shall not receive any salary for their services as Directors, except that by resolution of the Board a fixed sum per diem and expenses of attendance, if any may be allowed for attendance at each meeting of the Board. Board members and officers incurring business and travel expenses shall submit expense claims monthly for approval by the Chairman or Treasurer.

--as amended February 24, 1997

ARTICLE VI

Meetings of Directors

Section 1. Regular Meeting. The regular annual meeting of the Board shall be held without notice, immediately after and at the same place as the annual meeting of the members. A regular meeting of the Board shall also be held at least quarterly at such time and at the principal office of the Corporation, as the Board may provide by

resolution. Such regular meeting may be held without notice other than such resolution fixing the time thereof.

---as amended February 24, 1997

Section 2. Special Meetings. Special meetings of the Board may be called by the Chairman of the Board on his own motion or upon written demand of three Directors. The Secretary shall cause notice of such meetings to be given as hereinafter provided, but in the Secretary's absence or inability or refusal to give notice, then any Director may do so. Notice of the meeting shall specify the time and the place in the unincorporated community of Green Valley, Arizona for the holding of the meeting.

---as amended April 25, 1988

Section 3. Notice of Special Director's Meeting. Notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Director not less than three days prior thereto, either personally or by mail. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Director at his address as it appears on the records of the Corporation, with postage thereon prepaid.

Section 4. Quorum. At the annual meeting, the Directors present shall constitute a quorum. At all other meetings a majority of the Board shall constitute a quorum. At any meeting where a quorum does not exist, a majority of the Directors present may adjourn the meeting from time to time and in such event the Secretary shall notify each absent Director of the time and place of the adjourned meeting. The act of the majority of the Directors present at a meeting where a quorum existed shall be the act of the Board.

Section 5. Participation in Meeting by Conference Telephone. Meetings of the Board of Directors, whether regular or special, and any meetings of a duly constituted committee, may be held by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in the meeting pursuant to this section shall constitute presence in person at such meeting.

Section 6. Consent to Meeting; Waiver of Notice. Any meeting of the Board of Directors shall be deemed to have been validly and legally called if all of the Directors entitled to vote on the day of the meeting sign a written waiver of notice, either before or after the meeting. Attendance of a Director at any meeting shall constitute a waiver of notice of that meeting and no written waiver need be obtained from that Director except when the Director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened. All such waivers, consents or approvals shall be filed with the corporate records.

Section 7. Unanimous Consent. Any act of the Board of Directors may be taken without a meeting if a consent in writing setting forth the act is signed by all of the members of

the Board of Directors. Consent shall have the same force and effect as a unanimous vote of the Board of Directors.

---as amended April 25, 1988

ARTICLE VII

Officers

Section 1. Number. The officers of the Corporation shall be a Chairman of the Board, Vice Chairman of the Board, a President, a Secretary, and a Treasurer. The officers shall be elected by the Board at its annual meeting. The offices of Secretary and of Treasurer may be held by the same person.

---as amended September 28, 1998

Section 2. Removal of Officers and Agents by Directors. Any officer or agent elected or appointed by the Board may be removed by the Board whenever, in its judgment, the best interest of the Corporation will be served thereby. In addition, any member of the Corporation may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten percent of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to the Board meeting at which the charges are to be considered, and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges, the person bringing such charges at such meeting having the burden of proof and the burden to go forward with the evidence. In the event the Board does not remove such officer, the question of his removal shall be considered and noted upon at the next meeting of the members.

Section 3. Chairman of the Board. The Chairman of the Board shall:

1. Unless otherwise determined by the members of the Board, preside at all meetings of the Directors and at the annual meeting of the membership.

---as amended September 28, 1998

2. Sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and

3. In general, perform such duties as may from time to time be prescribed by the Board.

---as amended September 28, 1998

Section 4. Vice Chairman of the Board. The Vice Chairman of the Board shall:

1. In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, perform the duties of the Chairman of the Board, and when so acting, shall have all the powers of and be subject to all the restrictions on the Chairman. The Vice Chairman shall also perform such other duties as may be assigned to him by the Board.

—as amended September 28, 1998

Section 5 President. The President shall:

1. Be the Chief Executive Officer and Chief Operating Officer of the Corporation. The President shall perform such duties and shall exercise such authority and receive such compensation as the Board from time to time determines;

—as amended September 28, 1998

2. In general perform all duties incident to the office of Chief Executive Officer, and Chief Operating Officer, and such other duties as may from time to time be prescribed by the Board. The President may be authorized by the Board to hire subordinate employees;

—as amended September 28, 1998

3. Sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed.

—as renumbered September 28, 1998

Section 6. Secretary. The Secretary shall:

1. Keep the minutes of the meetings of the members and of the Board in one or more books provided for that purpose;
2. See that all notices are duly given in accordance with these By-Laws or as required by law;
3. Be custodian of the corporate records and of the corporate seal, and affix said seal to all certificates of membership prior to the issuance thereof, and to all documents the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of the By-Laws;
4. Keep a register of the names and post office addresses of all members;

5. Have general charge of the books of the Corporation;
6. Keep on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Corporation containing all amendments thereto (which copy shall at all reasonable times be open to the inspection of any member), and at the expense of the Corporation, forward a copy of the By-Laws and of all amendments thereto to each member who has in writing requested the same; and
7. In general perform all duties incident to the office of Secretary and such duties as may from time to time be assigned to him by the Board.

---as renumbered September 28, 1998

Section 7. Treasurer. The Treasurer shall:

1. Have charge and custody of and be responsible for all funds and securities of the Corporation;
2. Be responsible for the receipt of and the issuance of receipts for all moneys due and payable to the Corporation; and for the deposit of all such money in the name of the Corporation in such bank or banks as shall be selected in accordance with provision of these By-Laws; and
3. In general perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

---as renumbered September 28, 1998

Section 8. Bonds of Officers. The Treasurer and any other officer or agent of the Corporation charged with responsibility for the custody of any of its funds or property shall give bonds in such sum and with surety as the Board shall determine. The Board in its discretion may also require any other Officer, Agent or Employee of the Corporation to give bond in such amount and with such surety as it shall determine

--as renumbered September 28, 1998

Section 9. General Manager. The Board may appoint a General Manager who may be, but shall not be required to be, a member of the Corporation. The General Manager shall perform such duties and shall exercise such authority and receive such

compensation as the Board may, from time to time, determine. The Board may authorize the General Manager to hire subordinate employees. The General Manager may sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the

signing and execution thereof shall be expressly delegated by the Board or by the By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed.

---as amended and renumbered September 28, 1998

Section 10. Compensation. The powers, duties and compensation of Officers, Agents and Employees of the Corporation shall be fixed by the Board. The provisions of the By-Laws with respect to compensation of Directors shall not be interpreted to prohibit compensation of Officers for services rendered or to be rendered at times other than during meetings of the Board.

---as renumbered September 28, 1998

Section 11. Reports. The officers of the Corporation shall submit at each annual meeting of the members reports covering the business of the Corporation for the previous fiscal year.

---as renumbered September 28, 1998

ARTICLE VIII

Loans and Disposition of Property

Section 1. Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 2. Disposition of Property. A sale, lease, exchange or other disposition of all, or substantially all, of the assets of the Corporation may be made only upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property, real or foreign, as may be authorized in the following manner: The Board of Directors shall adopt a resolution recommending such sale, lease, exchange or other disposition and direct that it be submitted to a vote of the members of the Corporation at a meeting of those members, which meeting may be either an annual or a special meeting. Written notice stating that the purpose, or one of the purposes, of such a meeting is to consider the sale, lease, exchange or other disposition of all, or substantially all, of the assets of the Corporation shall be given to each member entitled to vote at such meeting within the time and in the manner provided by these By-Laws for the giving of notice of meetings of members. At such meeting, the members may authorize such sale, lease, exchange or other disposition and may fix or may authorize the Board of Directors to fix any or all of the terms and conditions and the consideration to be received by the Corporation.

---as amended September 16, 1981

ARTICLE IX

Financial Matters

Section 1. Contracts. Except as otherwise provided by these By-Laws, the Board may authorize any officer or officers, agent or agents of the Corporation to enter into any contract or execute and deliver any instrument in its name on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such bank or banks as the Board of Directors may select.

Section 3. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents, employee or employees, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Fiscal Year. The fiscal year of the Corporation shall begin the first day of January of each year and shall end on the 31st day of December of the same year.

ARTICLE X

Seal

The Board of Directors shall provide a suitable seal containing the name of the Corporation and the words "incorporated, Arizona, 1975". An imprint of such seal shall be affixed to the margin thereof.

ARTICLE XI

Indemnification

Section 1. Indemnification. Notwithstanding the following provisions of the By-Laws, it is the intent of this Corporation to indemnify the members, directors, officers, employees and agents of the Corporation to the fullest extent authorized by Arizona law.

---as amended February 24, 1997

Section 2. Indemnification and Actions by Third Parties. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Corporation, by reason of the fact that he or she is or was a member, director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a member, director, officer or employee of another corporation, partnership, joint venture, trust or

other enterprise, against expenses, including attorneys' fees, and against judgments, fines and amount paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted, or failed to act, in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not of itself create a presumption that the person acted or failed to act other than in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interest of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

---as renumbered February 24, 1997

Section 3. Indemnification in Action by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened pending or completed action or suit by or in the right of Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a member, director, officer or employee of the Corporation or is or was serving at the request of the Corporation as member, director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, but excluding judgments and fines and, except as hereinafter set forth, amounts paid in settlement, actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit, if he or she acted, or failed to act, in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation except that no indemnification may be made in respect of any claim, issue or matter as to which that person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court in such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. The court in which any such action or suit was brought may determine upon application that, in view of all the circumstances of the case, indemnity of the amount so paid in settlement is proper and may order indemnity of the amount so paid in settlement and for the expenses, including attorneys' fees, actually and reasonably paid in connection with such application, to the extent the court deems proper.

---as renumbered February 24, 1997

Section 4. Indemnification Against Expenses. To the extent that a member, director, officer or employee of the Corporation has been successful in the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 or 2 of this Article of the By-Laws, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection therewith.

---as renumbered February 24, 1997

Section 5. Required Determination. Any indemnification under Sections 1 or 2 of this Article of these By-Laws, unless ordered by a court, shall be made by the Corporation only as authorized in a specific case upon a determination that indemnification of a member, director, officer or employee is proper in the circumstance because he or she has met the applicable standard of conduct set forth in Sections 1 or 2 of this Article of these By-Laws. Such determination shall be made by any of the following:

- A. By the Board of Directors by a majority vote of a quorum consisting of Directors who are not parties to the action, suit or proceeding.
- B. If such quorum is not obtainable, in a written opinion of independent legal counsel appointed by a majority of the disinterested Directors for that purpose (which independent legal counsel may be counsel to the Corporation).
- C. If there are no disinterested Directors, by the court or other body before which the action, suit or proceeding was brought or any court of competent jurisdiction upon the approval of an application by any person seeking indemnification, in which case the indemnification may include the expenses, including attorneys' fees, actually and reasonably paid in connection with such application.

---as amended and renumbered February 24, 1997

Section 6. Advance of Expenses. Expenses, including attorneys' fees, incurred in defending a civil or criminal action, suit or proceeding, may be paid by the Corporation in advance of the final disposition of the action, suit or proceedings as authorized in the manner provided in Section 5 of this Article of these By-Laws upon receipt of an undertaking by or on behalf of the member, director, officer or employee to repay the amount unless it is ultimately determined that he or she is entitled to be indemnified by the Corporation as authorized in this Article of the By-Laws.

---as amended and renumbered February 24, 1997

Section 7. Other Indemnification. The indemnification provided in this Article of these By-Laws is non-exclusive of any other rights to which those indemnified may be entitled under any By-Law, agreement, vote of disinterested Directors or otherwise, both as to action in his or her official capacity as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a member, director,

officer or employee and shall inure to the benefit of the heirs and personal representatives of such a person.

---as renumbered February 24, 1997

Section 8. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a member, director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a member, director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under this Article of these By-Laws.

---as renumbered February 24, 1997

ARTICLE XII

Miscellaneous

Section 1. Rules and Regulations. The Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these By-Laws, as it may deem advisable for the management of the business and affairs of the Corporation:

Section 2. Accounting System and Reports. The Board of Directors shall cause to be established and maintain a complete accounting system which, among other things, and subject to applicable laws, rules and regulations of any regulatory body, shall conform to such accounting system as is normally prescribed for the operation of a public service corporation serving water to customers. The Board of Directors shall, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Corporation as of the end of such fiscal year, such audit reports shall be submitted to the members at the next following annual meeting.

Section 3. Committees. The Board of Directors, by a resolution or resolutions adopted by a majority of the Board of Directors, may appoint an Executive Committee and such other committees as it may deem appropriate. Each committee shall have and may exercise such powers as shall be conferred or authorized by the resolution appointing it. A majority of any such committee may determine its action and may fix a time and place of its meetings, unless provided otherwise by the Board of Directors. The Board of Directors shall have the power at any time to fill vacancies in, to change the size or membership of and to discharge any such committees. Each such committee shall keep a written record of its acts and proceedings and shall submit such record to the Board of Directors as each regular meeting thereof and at such other times as requested by the Board of Directors.

---as amended April 25, 1988

ARTICLE XIII

Capital Contributions

In order to raise sufficient capital to commence the business of the Corporation, the Board of Directors is authorized to establish a plan whereby the Corporation may acquire capital from members or prospective members of the Corporation and issue therefore noninterest bearing certificates evidencing this contribution. The Board may further provide for the repayment of that capital contribution upon such terms and conditions as it may establish.

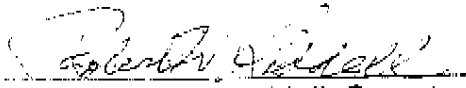
ARTICLE XIV

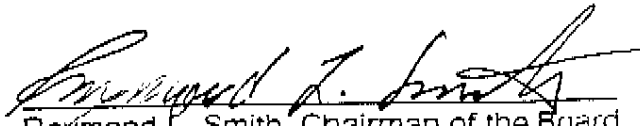
Amendments

These By-Laws may be altered, amended or repealed by the Board of Directors at any regular or special meeting thereof provided notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

ATTEST:

SIGNED:


Robert W. Liddell, Secretary


Raymond L. Smith, Chairman of the Board

By-Laws Adopted by the Board:	November 22, 1975	
By-Laws Amended by the Board:	January 3, 1976	Article IV
	August 20, 1977	Article II & III
	December 17, 1977	Article IV
	February 19, 1979	Article IV
	September 16, 1981	Article VIII
	April 25, 1988	Article IV, V, VI, VII, XI & XII
	February 24, 1997	Article II, V, VI, VII, & XI
	March 24, 1997	Article VII
	September 28, 1998	Article IV, VII
	August 13, 2001	Article IV