

**BY-LAWS
OF
SOUTH DAKOTA ASSOCIATION OF RURAL WATER SYSTEMS, INC.**

ARTICLE I.

Name and Seal

Section 1. The name of this Corporation is SOUTH DAKOTA ASSOCIATION OF RURAL WATER SYSTEMS, INC., hereinafter referred to as the "Association".

Section 2. The seal of the Corporation shall have inscribed thereon the name of the Association and the words "Corporate Seal".

ARTICLE II.

Section 1. Classes of Membership. There shall be three (3) classes of membership in the Association, i.e. Class A Members, Class B Members and Class C Members.

Section 2. Class A Members. The following organizations shall qualify for Class A Membership in this Corporation, to-wit:

- a. Any nonprofit corporation, cooperative or water user district or sanitary district operating as a rural water system and having as its primary purpose the distribution of water to consumers for domestic and rural use and designed to serve a minimum of 400 meters and which shall otherwise be eligible for membership herein.
- b. A nonprofit corporation, cooperative or water user district providing for distribution of bulk water to its consumers provided that total persons served by said consumers shall be 50,000 or more.

An applicant who qualifies for Class A Membership herein shall not be qualified for Class B or Class C Membership.

Section 3. Class B Members. The following organizations shall qualify for Class B Membership in this Corporation, to-wit:

- a. Incorporated municipalities, corporations, non-profit corporations, cooperatives, political subdivisions, or other legal entities organized or acting pursuant to the laws of South Dakota as a water system and which shall otherwise be eligible for membership herein.

- b. any non-profit corporation, cooperative, water development district, water user district, sanitary district or like organization organized for the purpose of providing administrative services to two (2) or more rural water systems, which are Class A Members hereof or organized for the purpose of providing wholesale distribution of water to two (2) or more Class A Members hereof and which otherwise shall be eligible for membership herein.

Section 4. Class C Members. The following organizations shall qualify for Class C Membership in this Corporation, to-wit:

- a. any sanitary district or other corporation or political subdivision excluding municipalities engaged in the business of sewage waste, treatment and/or disposal.

Section 5. Conditions of Membership. Applicants who are otherwise qualified may become and remain a member of the Association by:

- a. Executing a Membership Application and agreeing to pay the annual dues hereinafter specified, and
- b. Agreeing to comply with the Articles of Incorporation, the By-Laws, and any amendments thereto, and such policies, rules and regulations as may from time to time be adopted by the Board of Directors;

provided, however, that no such organization shall become a member of the Association unless and until it has been accepted for membership by the Board of Directors of the Association.

Section 6. Membership Dues. The membership dues shall be determined annually according to a formula established by the Board of Directors.

Section 7. Associate Membership. Any person, firm, corporation, body politic or other entity may be accepted by the Association Board of Directors, as an Associate Member upon payment of such annual dues as may be established by the Association Board of Directors from time to time. Associate Members shall not be entitled to a vote, however, they may be present and participate in any business meetings of the Association.

Section 8. Affiliate Membership. The National Rural Water System or any State Association for Rural Water Systems may be accepted by the Board of Directors as an affiliate member upon

payment of such annual dues as may be established by the Board of Directors from time to time. Affiliate members shall qualify for the same fringe benefit programs sponsored by this Association as to Class A, B and C Members.

Section 9. Membership Transfers. Memberships, including all rights and privileges pertaining thereto, may be transferred from an existing member to a successor organization only upon approval of the Board of Directors.

Section 10. Termination of Membership. A member may withdraw from membership in the Association upon sixty (60) days' written notice. Termination of membership for whatever reason shall operate as a release of all rights, title and interest of the member in the property and assets of the Association, but shall not release the member from the debts or liabilities of such member to the Association.

ARTICLE III.

Meetings of Members

Section 1. Annual Meeting. An Annual Meeting of the members shall be held in the State of South Dakota each year, the time, location and date thereof to be selected by the Board of Directors at least sixty (60) days prior to the meeting. The purpose of the meeting shall be to elect Directors, pass upon reports for the previous year and transact such other business as may come before the meeting.

Section 2. Special Meetings. Special Meetings of the members may be called by the Board of Directors or upon a written request signed by twenty-five (25%) percent of the Class A Members or fifty-one (51%) percent of the Class B and Class C Members, which request shall be presented to the Secretary of the Association and said written request shall state the purpose of said Special Meeting. It shall be the duty of the Secretary to cause due and proper Notice of said Special Meeting to be given as hereinafter provided and said Notice shall state, among other things, the purpose for calling said Special Meeting. Special Meetings of the members may be held at any place within the State of South Dakota, or elsewhere, the location to be selected by the Board of Directors and specified in the Notice of Meeting.

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 or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than ninety (90) days before the date of the meeting, by any reasonable means including traditional mail, hand delivery, email or electronic facsimile ~~by mail~~, by or at the direction of the Secretary, or upon default in duty by the Secretary, by the persons calling the meeting, to each member. When mailed, such Notice shall be presumed to be delivered when deposited in the United States Mail, addressed to the member at its address as it appears on the records of the Association, with postage thereon prepaid. The failure of any member to receive Notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum. The presence of a majority of voting delegates representing the membership shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, a majority of the delegates representing membership may adjourn the meeting from time to time without Notice, provided that the Secretary shall notify any absent members of the time and place of such adjourned meeting.

Section 5. Delegates - Class A Members. Class A Members having a minimum of 400 meters to 999 meters or Class A Members providing for distribution of bulk water to its consumers shall be entitled to be represented at any membership meeting of the Association by a delegate or alternate delegate. Class A Members with 1,000 meters to 1,999 meters shall be entitled to be represented at any membership meeting of the Association by two (2) delegates or alternate delegates. Class A Members with 2,000 meters to 2,999 meters shall be entitled to be represented at any membership meeting of the Association by three (3) delegates or alternate delegates. Class A Members with 3,000 or over meters shall be entitled to be represented at any membership meeting of the Association by four (4) delegates or alternates. The delegates and alternate delegates of Class A Members shall be such persons as are designated in writing by the governing body of the Class A Member and filed with the Association prior to any membership meeting. A delegate or alternate delegate of a Class A Member shall be deemed a voting delegate provided that where the delegate is present, the alternate delegate shall not be permitted to cast his or her vote and provide further, that only the number of authorized delegates shall be counted for the purpose of constituting a quorum. Provided further, that no voting delegates shall be permitted to represent or cast a vote for

more than one (1) Class A Member at any meeting of the membership.

Section 6. Delegates - Class B Members. Prior to the Association's Annual Meeting, Class B Members shall hold their membership meeting. Each Class B Member shall be represented at any membership meeting of the Association by a delegate or alternate delegate. The delegate and alternate delegate of a Class B Member shall be such persons as are designated in writing by the governing body of the member and filed with the Association prior to any membership meeting. For purposes of voting delegates, Class B Members shall be represented by a delegate from Class B Members residing east of the Missouri River and a delegate from Class B Members residing west of the Missouri River in the State of South Dakota. At the time of the membership meeting, the East River Class B Members shall select one (1) delegate from all East River Class B delegates present, which person shall constitute the voting delegate of the East River Class B Members. The West River Class B Members shall, at the time of the membership meeting select one (1) delegate from all West River Class B delegates present, which person shall constitute the voting delegate of the West River Class B Members.

Section 7. Delegates - Class C Members. Prior to the Association's Annual Meeting, Class C members shall hold their membership meeting. Each Class C Member shall be represented at any membership meeting of the Association by a delegate or alternate delegate. The delegate and alternate delegate of a Class C Member shall be such persons as are designated in writing by the governing body of the member and filed with the Association prior to any membership meeting. In the event there are less than fifty (50) Class C Members, the Class C Member shall, at the time of the membership meeting, select one (1) delegate from all Class C delegates present, which person shall constitute the voting delegate of the Class C Members. In the event there are fifty (50) or more Class C Members, the Class C Member shall, at the time of the membership meeting, select two (2) delegates from all Class C delegates present, which persons shall constitute the voting delegates of the Class C Members.

Section 8. Voting. Only members in good standing shall be entitled to a vote as hereinbefore provided at a meeting of the members. Only the delegate or alternate delegate so authorized shall be entitled to register the vote of said member at any meeting of the Association. Voting by proxy or by mail shall not be permitted. Any action authorized by statute to be taken at a meeting of the members or directors of the Association, or

any action which may be taken at a meeting of the members or directors or of a committee of directors may be taken without a meeting, if consent in writing setting forth the action so taken, shall be signed by all the members entitled to vote with respect to the subject matter thereof, or all of the directors, or all of the members of the committee of directors as the case may be.

Section 9. Presence of Others. Any employee or individual member of a corporate member shall be entitled to be present at any regular or special meeting of the members of the Association and shall have a voice in the proceedings, but such person or persons shall not be entitled to vote unless they are the official delegate or alternate delegate of said member.

Section 10. Order of Business. The order of business at the annual meeting of the members, insofar as possible, at all other meetings of the members shall be essentially as follows:

1. Ascertaining that a quorum is present;
2. Reading of the Notice of Meeting and Proof of Mailing thereof;
3. Presentation or reading of Minutes of previous meetings of the members and the taking of necessary action thereon;
4. Reports of officers, Directors and committees;
5. Nomination and election of Directors;
6. Unfinished business;
7. New business;
8. Adjournment.

ARTICLE IV.

Directors

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

Section 2. Qualifications. No person shall be eligible to become or remain a Director who:

- a. Is not a member of the Board of Directors or employee of a member of the Association, or,
- b. Is employed by a competing enterprise or is financially otherwise involved or interested in any business or organization whose purposes are contrary or competitive with rural water supply systems or sanitary systems or where such interests would otherwise create a conflict of interest.

Upon establishment of fact that a Director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such Director from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Section 3. Number of Directors and Terms of Office. There shall be as many Directors of the Association as there shall be Class A Members plus one (1) Director who shall represent East River Class B Members, one (1) Director who shall represent West River Class B Members and one (1) Director who shall represent all Class C Members.

Directors of new Class A Members shall be elected for a term of from one (1) to three (3) years to be determined by lot. All other Director's terms shall be for three (3) years. The terms of office of all of the Directors shall be staggered as closely as possible so that each year approximately one-third (1/3) of the Director's terms shall expire.

Section 4. Nominations. Candidates for Directors representing Class A Members shall be nominated by the Class A Member that they will represent. Each Class A Member shall nominate one (1) qualified candidate and shall provide the name of said nominee to the Association prior to the Annual Meeting. East River Class B Members shall nominate one (1) qualified candidate, by a majority vote from the East River Class B Members and West River Class B Members shall nominate one (1) qualified candidate, by a majority vote, from the West River Class B Members. The name of each candidate shall be provided to the Association prior to the Annual Meeting. Class C Members shall nominate one (1) qualified candidate, by a majority vote, from among all Class C Members and the name of said candidate shall be presented to the Association prior to the Annual

Meeting. At said Annual Meeting, the members of the Association shall, as provided for herein, vote to elect or reject the nominees for Director. If rejected, the Class A or the Class B Members or Class C Members will be given an opportunity to make a new nomination.

Section 5. Election and Tenure in Office. Each Class A Member of the Association shall have one (1) Director. The East River Class B Members shall be collectively entitled to one (1) Director, the West River Class B Members shall be collectively entitled to one (1) Director, and the Class C Members of the Association shall be collectively entitled to one (1) Director.

Section 6. 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 twenty (20%) percent of the members, request the removal of such Director by reason thereof. Such Director shall be informed in writing of the charges at least fourteen (14) 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 bringing the charges against the Director shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at the meeting of the members. A quorum for the purpose of removal shall constitute a majority of all members of the Association entitled to vote. A two-thirds (2/3) vote of all voting members present constituting such quorum shall be required to remove such Director.

Section 7. Vacancies. A vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining Directors for the unexpired portion of the term. Such Director shall be selected from the same Class A Member as his or her predecessor in office or in the case of the Director representing the Class B or Class C membership shall be selected from Class B or Class C Members, as the case shall require.

Section 8. Compensation - Directors and Delegates.

1. Compensation. Directors shall not receive any salary for their services as Directors except by resolution of the Board of Directors a fixed sum and expense of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors and for attendance at any other meeting on behalf of the Association which is authorized

by the Board of Directors. No Director shall receive compensation for serving the Association in any other capacity.

2. No close relative of a Director shall receive compensation for serving the Association, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by such Director or close relative shall have been certified by the Board of Directors as an emergency reserve.

Section 9. Nepotism.

Directors and members of their immediate family may not be employed by the Association. Members of the immediate family of Associations employees also may not be employed by the Association. The term "immediate family" is defined as the relationship of:

- a. husband, wife and/or significant other
- b. father, step-father, mother, step-mother children and step-children
- c. brother, step-brother sister and step-sister
- d. in-laws
- e. nieces and nephews.

Section 10. Immunity. No director is liable, and no cause of action may be brought, for damages resulting from the exercise of judgment or discretion in connection with the duties and responsibilities of such director, unless the act or omission involved willful or wanton conduct, as provided for in South Dakota law.

ARTICLE V.

Meetings of Directors

Section 1. Regular Meetings. Meetings of the Board of Directors shall be held at least quarterly, at such time and place in the State of South Dakota as the Board may designate.

Section 2. Special Meetings. A special meeting may be called by the President, or by a majority of the Directors, who shall fix the time and place within the State of South Dakota, or elsewhere of the meeting providing notice shall have been given as provided in these By-Laws.

Section 3. Notice of Directors' Meetings. Written notice of the time and place of Directors' Meetings shall be delivered to each Director not less than ten (10) days prior

thereto by any reasonable means including traditional mail, hand delivery, or electronic mail, or electronic facsimile by or at the direction of the Secretary, or upon a default in duty of the Secretary by the President.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum.

Section 5. Meetings by ~~Telecommunications~~Electronic Communication. The Board of Directors ~~may conduct meetings by teleconference or participate in meetings by teleconference as authorized and provided by South Dakota Law, provided that any such attendance by means of telecommunications device shall require two-way communications and a setup so that all Board Members can communicate with each other throughout the process.~~ need not conduct a meeting at a geographic location, and may instead hold a meeting by any means of electronic communication which allows the members to read or hear the proceedings, vote on matters submitted to the members, pose questions and make comments.

ARTICLE VI.

Officers

Section 1. Number. The officers of the Association shall be a President, Vice-President, Secretary, Treasurer and such other officers as may be determined by the Board of Directors from time to time.

Section 2. Nomination, Election and Term of Office. At the June Board Meeting, the Chairman, subject to approval by the Board, shall appoint five (5) Directors to serve as a Nominating Committee for the selection of candidates for the offices of President, Vice-President, Secretary, Treasurer, and for the office of Director of the National Rural Water Association. The Nominating Committee shall select a minimum of two (2) candidates for each office and shall determine in advance if said candidates are willing to serve in said capacity if elected. The nominees shall be presented to the Board at the March Board Meeting. Nominations may also be made from the floor. The Board shall thereafter elect the candidate of their choice to each office by secret written ballot. There shall be a separate balloting conducted for each office. A majority vote will be required for election. The terms of the President, Vice-President, Secretary, Treasurer, and Director of the National Rural Water Association shall be for a one (1) year term and said officers shall hold office until their

successors shall be elected and qualified. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by Directors.

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Association will be served thereby. In addition, any member of the Association may bring charges against any officer, and by filing with the Secretary such charges, in writing, together with a Petition signed by ten (10%) 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 (10) days prior to the Boards' 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; and said person, or persons, bringing the charges against the officer shall have the same opportunity.

Section 4. President. The President shall be the principal executive officer of the Association and shall, in addition to the duties usual to such office, perform such other duties as the Board of Directors may, from time to time, assign by appropriate resolution.

Section 5. Vice-President. In the absence of the President, or in the event of his or her inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all of the restrictions upon the President. The Vice-President shall perform such other duties as, from time to time, may be assigned to him or her by the Board of Directors.

Section 6. Secretary. The Secretary shall:

- a. be responsible for performance of the duties usual to such office;
- b. be responsible for forwarding a copy of the By-Laws, and of all amendments thereto, to each member and to each Director and delegate at the expense of the Association; and
- c. shall also perform such other duties as may, from time to time, be assigned to him by the Board of Directors.

Section 7. Treasurer. The Treasurer shall:

- a. have access to records of all receipts, disbursements, assets, and liabilities of the Association and shall report to the Board of Directors on the condition of such records and financial condition of the Association from time to time and at least quarterly, and
- b. in general, perform all of the duties incident to the office of Treasurer and such other duties as, from time to time, may be assigned to him or her by the Board of Directors.

Section 8. Director of the National Rural Water Association. The Director of the National Rural Water Association will attend National Rural Water Association Board meetings and functions as paid for by the National Rural Water Association, attend other meetings and functions that the Board of Directors may direct, and such other duties as, from time to time, may be assigned to him or her by the Board of Directors.

Section 9. Executive Director. The Board of Directors may employ an Executive Director who shall perform such duties and shall exercise such authority as the Board of Directors may, from time to time, vest in him or her. The Executive Director shall be considered as an officer of the Corporation, but shall not be eligible to serve as a Director of the Association.

Section 10. Bonds of Officers. The Treasurer and any other officer or agent of the Association charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board of Directors shall determine. The Board of Directors, at its discretion, may also require any other officer, agent or employee of the Association to be bonded in such amount and with such surety as it shall determine.

ARTICLE VII.

Committees

Section 1. Executive Committee. The officers of the Association, the immediate past President and the Director of the National Rural Water Association, shall constitute the Executive Committee and shall be given only such powers and authority as are delegated to them from time to time by the Board of Directors.

Section 2. Establishment of Committees. The President and the Board of Directors may establish committees or advisory boards to make studies and recommendations on particular matters of common concern to the members of the Association, provided that any committees appointed by the President shall be ~~approved~~ designated by a resolution adopted by a majority of the Board of Directors at the next regular meeting of the Board. Members of committees or advisory boards created under this section have the same rights of indemnification and immunity as are provided to the Board of Directors.

Section 3. Composition. The Chairman of each committee shall be appointed by the President with the approval of the Board of Directors. At the discretion of the Board of Directors or the President, as the case may be, membership in a committee may include Directors and/or employees of corporate members.

Section 4. Meetings. Each committee shall meet upon the call of its Chairman; a record of the proceedings of such meeting shall be maintained.

Section 5. Reports. Each committee shall submit to the Board of Directors reports covering matters considered by such committee and recommendations thereon.

ARTICLE VIII.

Income and Expenditures

Section 1. Income. The income of the Association shall be derived from membership fees and dues and from such other sources as authorized by the Board of Directors. Special assessments may be levied on all the members for specified purposes by a two-thirds (2/3) vote of those Directors present and voting. Written notice of any special assessment shall be furnished to each member without delay.

Section 2. Budget. The Board of Directors shall approve an annual budget. Such budget shall not provide for any expenditures in excess of funds available or pledged. However, the Board of Directors may adjust the annual budget as deemed necessary, if funds are available from membership dues or other sources. The Board of Directors shall not incur any financial obligation nor enter into any financial commitments unless funds are available or have been pledged for the purpose of defraying the expenses in connection therewith at the time such obligation or commitment is entered into.

Section 3. Expenditures. Expenditures shall be made in conformance with the annual budgets as originally adopted, or subsequently adjusted.

Section 4. Depositories. All funds of the Association shall be deposited to the credit of the Association in depositories, insured by the Federal Government, or an agency or instrumentality thereof, or invested in securities of the U.S. Government designated by the Board of Directors.

ARTICLE IX.

Financial Transactions

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

Section 2. 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 Association, shall be signed by such officer or officers, agents or agent, employee or employees of the Association, and in such manner as shall, from time to time, be determined by resolution of the Board of Directors.

Section 3. Fiscal Year. The fiscal year of the Association shall begin on the 1st day of October of each year and end on the 30th day of September of the following year.

Section 4. Audit and Report. The Board of Directors shall, after the fiscal year has ended each year, cause to be made an audit of the accounts, books and financial condition of the Association by an accountant. A report of such audit shall be submitted to the members at the next annual membership meeting. A copy of the audit shall be made available to any member, upon request.

ARTICLE X.

Miscellaneous

Section 1. Membership in Other Organizations. The Association may become a member of or purchase stock in any other organization, after any affirmative vote of the Board of Directors at a duly held meeting.

Section 2. Waiver of Notice. Any member or Director may waive in writing any Notice of a meeting required to be given by these By-Laws. The attendance of a member or Director of any meeting shall constitute a waiver of Notice of such meeting by such member or Director, except in case a member or Director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 3. Policies, Rules and Regulations. The Board of Directors shall have power to make and adopt such policies, rules and regulations, not inconsistent with law or these By-Laws.

Section 4. Books and Records. The Association shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its members, Board of Directors, and committees having any authority of the Board of Directors; and shall keep at its principal office a record of the names and addresses of its members entitled to vote. The records required by this section may be kept in electronic format.

Section 45. Rules of Procedure. All business meetings of this Association shall be governed by the most recent version of Roberts Rules of Order.

ARTICLE XI.

Amendments

Section 1. Standard Amending Procedure. These By-Laws may be altered, amended or repealed by the members at any regular or special meeting by the affirmative vote of a majority of those members voting thereon, providing the notice of such meeting shall contain a copy of the proposed alteration, amendment or repeal, or specify the nature of the proposed alteration, amendment or repeal. Any amendment which is germane

to the proposed alteration or amendment specified in the Notice and submitted at such meeting may be acted upon at said meeting with the same force and effect as though it had been contained in the Notice of the meeting.

Section 2. Initiated Amendments. Proposed alterations, amendments or repeals to the By-Laws may be initiated by the members by filing with the Association at least sixty (60) days prior to the date of a special or regular membership meeting, a Petition signed by at least ten (10%) percent of the members of the Association setting forth the proposed alterations, amendments or repeals and requesting that same be submitted to the membership for approval or rejection. Upon receipt of such a petition the Association shall give Notice of said proposed alterations, amendments or repeals as provided herein and submit same to the membership for rejection or approval at the next regular or special meeting thereof.