

**BYLAWS
OF
EJ WATER COOPERATIVE, INC.**

**As Amended March 11, 2004
As Amended April 23, 2008
As Amended October 31, 2012
As Amended March 10, 2016
As Amended March 9, 2017
As Amended _____, 2019**

**ARTICLE I
DEFINED TERMS AND MEMBERSHIP**

Section 1. Defined Terms: The following capitalized terms shall have the meanings specified in this Article I Section I. Other terms are defined in the text of these Bylaws; and, throughout these Bylaws, those terms shall have the meanings respectively ascribed to them.

- A. “Person” shall mean any Natural Person, firm, association, cooperative, corporation, trust, partnership, limited liability company, federal or state agency, municipal corporation, political subdivision, body politic, or other similar entity.
- B. “Natural Person” shall mean a human being.
- C. “Board of Directors” shall mean a body of nine Natural Persons duly qualified and elected by the Members to manage the business and affairs of the Corporation as provided for in Article V of these Bylaws.
- D. “Director” shall mean a Natural Person duly qualified and elected by the Members to the Board of Directors.
- E. “Class A Member” shall mean any Person who receives retail water services from the Corporation, provided that said Person complies with the requirements contained in Article I, Section 3. Membership in the Corporation shall entitle a Class A Member to one (1) or more retail water service connections, such service connections are for the personal use of the Class A Member or will be used in the operation of the business of such Class A Member.
- F. “Class B Member” shall mean any Person who receives retail sewerage services from the Corporation, provided that said Person complies with the requirements contained in Article I, Section 3. Membership in the Corporation shall entitle a Class B Member to one (1) or more retail sanitary sewerage service connections, such service connections are for the personal use of the Class B Member or will be used in the operation of the business of such Class B Member.

- G. "Class C Member" shall mean any Person who receives retail telecommunication services from the Corporation, provided that said Person complies with the requirements contained in Article I, Section 3. Membership in the Corporation shall entitle a Class C Member to one (1) or more retail telecommunication service connections, such service connections are for the personal use of the Class C Member or will be used in the operation of the business of such Class C Member.
- H. "Class D Member" shall mean any not-for-profit corporation, Village, Town, City, Water Protection District, or other municipal entity that holds a construction and operating permit through the Illinois Environmental Protection Agency authorizing the distribution of potable water to its residents, members, and/or customers in the area to be served by the Corporation, provided that said not-for-profit corporation, Village, Town, City, Water Protection District, or other municipal entity complies with the requirements contained in Article I, Section 3. Membership in the Corporation shall entitle a Class D member to one (1) or more wholesale water supply connections to the extent provided within the formal wholesale water supply agreement between the Corporation and the Class D Member. A Class D Member shall exercise all Membership rights and privileges through a representative or alternate, as provided in Section 3 of Article IV of these Bylaws, which such representative or alternate may exercise in his or her sole discretion. A Class D Member shall not have any right to serve as a member of the Board of Directors or voting privileges, except as through its representative or alternate, as provided in Article IV, Section 3 of these Bylaws, if so designated.
- I. "Class E Member" shall mean any firm, corporation, not-for-profit corporation, Village, Town, City, Sanitary District, or other municipal entity, or subdivision thereof that holds a facility permit through the Illinois Environmental Protection Agency authorizing sewage treatment to its residents, members, and/or customers in the area to be served by the Corporation, provided that said firm, corporation, not-for-profit corporation, Village, Town, City, Sanitary District, or other municipal entity, or subdivision complies with the requirements contained in Article I, Section 3. Membership in the Corporation shall entitle a Class E member to one (1) or more wholesale sanitary sewerage connections to the extent provided within the formal wholesale sanitary sewerage transportation and/or treatment agreement between the Corporation and the Class E Member. A Class E Member shall exercise all Membership rights and privileges through a representative or alternate, as provided in Section 3 of Article IV of these Bylaws, which such representative or alternate may exercise in his or her sole discretion. A Class E Member shall not have any right to serve as a member of the Board of Directors or voting privileges, except as through its representative or alternate, as provided in Article IV, Section 3 of these Bylaws, if so designated.
- J. "Member" shall mean any Person who has complied with the provisions of Article I, Section 3.
- K. "Membership" shall mean the legal state of being a Member in the Cooperative.

- L. “Joint Membership” shall mean a Membership in the Cooperative held by two Natural Persons jointly and severally united in marriage, or parties to a civil union or any substantially similar legal relationship as recognized by the laws of the State of Illinois, together with the right of survivorship as recognized by the laws of the State of Illinois. The term “Member” as used in these Bylaws shall be deemed to include two Natural Persons jointly and severally united in marriage, or parties to a civil union or any substantially similar legal relationship recognized by the laws of the State of Illinois, holding a Joint Membership and any provisions relating to the rights, and liabilities of Membership shall apply equally with respect to the holders of a Joint Membership.
- M. “Individual Membership” shall mean any Membership in the Cooperative held by a Person other than a Joint Membership.
- N. “Corporation” shall mean EJ Water Cooperative, Inc.
- O. “Bylaws” shall mean the Bylaws of the Corporation duly adopted and amended, from time to time, by the Members.
- P. “Articles of Incorporation” shall mean the articles of incorporation of the Corporation duly adopted and amended from time to time, by the Members, and duly placed on file with the Illinois Secretary of State’s Office.
- Q. “Utility Service” shall mean water, sanitary sewerage, telecommunication (including broadband or fiber internet) services.
- R. “Close Relative” shall mean a Natural Person who, by blood or in law, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of a Director, Officer, or employee of the Cooperative.

Section 2. Classes of Members.

The Corporation shall have five classes of members, being Class A Members (Retail Water), Class B Members (Retail Sewer), Class C Members (Retail Telecommunications), Class D Members (Wholesale Water), and Class E Members (Wholesale Sewer).

Section 3. Requirements for Membership.

Any Person that purchases, at retail or wholesale, Utility Services from the Corporation, is eligible to become a Member of the Corporation, provided that such Person completes the following:

- (a) Complete a written application for Membership, and further complete any additional or supplemental document or contract required by the Board of Directors for the specific Utility Service that the Person is seeking to use;
- (b) Pays any applicable application fee or connection fee to the Corporation, with said application fee or connection fee to be an amount established and adopted by the Board of Directors;
- (c) If a Class A Member, Class B Member, or a Class C Member, has agreed to purchase Utility Services from the Corporation through the execution of a User's Contract;
- (d) If a Class D Member, has agreed to purchase water from the Corporation through the execution of a wholesale water supply agreement, wherein the Member agrees to interconnect its water system to the Corporation's water system and shall be obligated to purchase wholesale potable water from water supplied by the Corporation;
- (e) If a Class E Member, has agreed to obtain wastewater transportation and/or treatment services from the Corporation through the execution of a wholesale sanitary sewer transportation and/or treatment agreement, wherein the Member agrees to interconnect its sanitary sewer system to the Corporation's sanitary sewer system and shall be obligated to obtain wholesale wastewater transportation and/or treatment services from the Corporation;
- (f) Has agreed to comply with and be bound by the Articles of Incorporation, Bylaws of the Corporation, and rules and regulations adopted, and as may be amended from time to time, by the Board of Directors; and,
- (g) If Class A Members, Class B Members, and Class C Members, is a record owner of a fee or undivided fee interest or has a substantial possessory interest in property, which is served or may in the future be served by the applicable Utility Service. A substantial possessory interest is one where the Person or Persons have a legal right to control occupancy of a property but do not have the legal or the equitable ownership of the property. It may be under a license or a similar right to possession.

No Person may hold more than one Membership in the Corporation. Except as provided in these Bylaws, no Membership, and no right or privilege associated with Membership in the Corporation, may be sold, purchased, assigned, or otherwise transferred. No Membership may be denied because of the applicant's race, color, creed, or national origin.

Based upon a Member's use of one (1) or more Utility Services, the Corporation shall designate the Member in descending order of priority as a Class A Member, Class B Member, Class C Member, Class D Member, or Class E Member. Change of classification of Membership shall not affect in any way any obligation for debts the Member may have incurred with the Corporation, and shall not affect any capital credits accrued by the Member.

Section 4. Membership Records.

The Corporation shall maintain a record of the names of all the Members of the Corporation. The Corporation shall not have capital stock. Membership in the Corporation shall be represented by the membership certificates. Such certificates shall represent the right to use and enjoy the benefits of the Corporation's Utility Services upon the payment of the necessary assessments, if any, and of reasonable charges based upon such use, provided such use and enjoyment are consistent with the rules, regulations and contracts affecting the same as may from time to time be prescribed by the Board of Directors.

A membership certificate shall be issued to each Member numbered consecutively in accordance with the order of issue and shall bear on its face the following statements:

“This Class ____ Membership Certificate Number _____ is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the Articles of Incorporation and the Bylaws and amendments to the same of EJ Water Cooperative, Inc.”

Section 5. Joint Membership. All applications for Membership filed by two Natural Persons jointly and severally united in marriage, or parties to a civil union or any substantially similar legal relationship as recognized by the laws of the State of Illinois, together with the right of survivorship as recognized by the laws of the State of Illinois, shall be deemed applications for Joint Membership, or if one of them is already a Member, than such Natural Persons may apply to convert an individual Membership to a Joint Membership as provided in Article I Section 5. The term “Member” as used in these Bylaws shall be deemed to include two Natural Persons jointly and severally united in marriage, or parties to a civil union or any substantially similar legal relationship recognized by the laws of the State of Illinois, holding a Joint Membership and any provisions relating to the rights, and liabilities of Membership shall apply equally with respect to the holders of a Joint Membership.

The effect of the hereinafter-specified actions by or in respect of the holders of a Joint Membership shall be as follows:

- (a) Notice of any meeting provided to either Joint Member shall constitute notice to both;
- (b) A waiver of notice signed by either Joint Member or both jointly shall constitute a joint waiver;
- (c) The presence at a meeting of either Joint Member or both shall be regarded as the presence of one Member and shall constitute a joint waiver of notice of the meeting;
- (d) The presence at a meeting of one Joint Member will revoke a Member Proxy appointment previously issued by either one or both Joint Members;
- (e) There shall only be one (1) vote per Joint Membership on any matter. The action of either Joint Member shall be deemed to the action of both in all affairs of the Corporation. A proxy issued or revoked by either Joint Member shall be deemed issued or revoked by both Joint Members and the date of the last issuance or revocation shall control;
- (f) Expulsion of either Joint Member shall terminate the Joint Membership;

- (g) Withdrawal of either Joint Member shall terminate the Joint Membership; and,
- (h) Either, but not both, may be elected or appointed as an officer or Director of the Board of Directors, provided that both meet the qualifications of such office.

Section 6. Conversion of Membership. Memberships may be converted as follows:

- (a) A Membership of a Natural Person may be converted to a Joint Membership upon the written request of the individual Member thereof and the agreement of both parties to a Joint Membership to comply with the Articles of Incorporation, Bylaws, and rules and regulations adopted by the Board of Directors.
- (b) Upon the death of either party to a Joint Membership, such Membership shall be held solely by the survivor.

Section 7. Membership. There shall be no membership fees for Membership. Membership shall entitle a Member to one (1) or more service connections for Utility Services upon payment of any applicable connection fee. The Corporation shall provide Utility Services to Members in a reasonable manner.

Section 8. Termination of Membership. Memberships may be terminated as follows:

- (a) Class A, Class B, or Class C Membership:
 - 1. Any Class A Member, Class B Member, or Class C Member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of all the Directors of the Board of Directors, expel any Class A Member, Class B Member, or Class C Member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules or regulations adopted by the Board, but only if such Member shall have been given written notice by the Corporation that such failure makes such Member liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled Member may be reinstated by a majority vote of the Board of Directors or by vote of the Members at any annual or special meeting. The Membership of a Class A Member, Class B Member, or Class C Member who, for a period of six (6) months after Utility Service is available to such Member, has not purchased such Utility Service from the Corporation, or of a Member who has ceased to purchase a Utility Service from the Corporation, may be cancelled by resolution of the Board of Directors.
 - 2. Upon the withdrawal, death, cessation of existence or expulsion of a Class A Member, Class B Member, or Class C Member, the Membership of such Member shall thereupon terminate, and said Member shall no longer be entitled to receive any Utility Service from the Corporation. Termination of Membership in any manner shall not release a Member or the estate of such Member from any debts due to the Corporation.

3. When a Membership is held jointly by two Natural Persons jointly and severally united in marriage, or parties to a civil union or substantially similar legal relationship, divorce or a legal separation, shall act to terminate such Membership. Written notification by either party, publication, or other legal notification shall be deemed sufficient authority for the Board of Directors of the Corporation to terminate such Membership upon the records of the Corporation provided, however, that either party to a Joint Membership may transfer to the other prior to termination, provided that the remaining member of the Joint Membership meets the qualifications provided in Article I, Section 3. Such termination or transfer shall not release either party from any Membership debts or liabilities to the Corporation which may have been incurred prior to such termination or transfer.
4. A Member may transfer his Membership in the Corporation to his successor in interest as part of the transaction whereby he disposes of his interest to his property. If Membership is not so transferred, the Membership shall terminate upon the disposition or the other termination of the Member's interest in the property regardless of whether or not the certificate is surrendered to the Corporation. Such termination of Membership shall not disqualify for Membership any other Person who has or obtains an interest in the property of the terminated Member and who otherwise meets the requirements of these Bylaws.
5. In the event a Member's property interest is divested other than by voluntary means, such Member's Membership will pass to the trustee, receiver, executor or the like who will be entitled either in Person or through a designated representative to exercise all of the rights incident to such Membership, but subject to such duties and liabilities also applicable to the Membership. The trustee, receiver, executor or the like may terminate such Membership by written notice to such effect delivered or mailed to the secretary of the Corporation. Upon the final disposition of such property rights, the owner thereof shall be entitled to membership in like manner as if the Membership had been transferred to him by the original Member.

(b) Class D or Class E Membership:

1. Class D or Class E Membership in the Corporation may terminate by operation of law, without further notice or hearing, in the event the Class D or Class E Member ceases to exist, dissolves or merges with another entity which is not a Class D or Class E Member, as applicable. Class D Membership shall also terminate automatically, without further notice or hearing if a Class D Member, permanently ceases to be a distributor of potable water to retail customers or fails to maintain a valid construction and operating permit through the Illinois Environmental Protection Agency. Class E Membership shall also terminate automatically, without further notice or hearing if a Class E Member, permanently ceases to provide sewage treatment to its residents, members, and/or customers, or fails to maintain a valid facility permit through the Illinois Environmental Protection Agency.

2. The Board may, by the affirmative vote of not less than two-thirds (2/3) of all the Directors of the Board, expel any Class D or Class E Member for cause, including, but not limited to the following:
 1. The failure to promptly pay obligations to the Corporation;
 2. The failure of any Class D Member to purchase water from the Corporation for a period of three (3) months after such service is available to such Member;
 3. The failure of any Class E Member to obtain sanitary sewer transportation and/or treatment services from the Corporation for a period of three (3) months after such service is available to such Member; or,
 4. For any other action deemed detrimental to the best interest of the Corporation.

Prior to termination of Class D or Class E Membership, a statement of the cause for termination shall be delivered by certified mail, return receipt requested, by hand or other forms of delivery, to the last recorded address of the Member, at least ten (10) calendar days before final action is taken. The statement shall be accompanied by a notice of the time and place of the meeting of the Board of Directors at which the termination of the Member's Membership shall be considered, and the Member shall have the opportunity to appear, through its duly appointed representative, and to be heard on the matter, before final action is taken.

No such termination shall affect any accrued liabilities of the terminated member to the Corporation, nor shall it affect any continuing contractual obligations of each party to each other, except that the rate charged by the Corporation to the terminated Member shall thereafter be the same rate which it charges to non-member customers.

ARTICLE II BENEFITS AND DUTIES OF MEMBERS

Section 1. Distribution Pipeline, Service Line and Meters.

- (a) The Corporation will, if financially feasible in the discretion of the Board of Directors, install, maintain and operate a main distribution pipeline or lines from the source of the Utility Service supply and service lines from the main distribution pipeline or lines to the property line of each Member of the Corporation, at which points, designated as delivery points, meters to be purchased, installed, owned and maintained by the Corporation shall be placed. The cost of the service line or lines

from the main distribution pipeline or lines of the Corporation to the property line of each Member shall be paid by the Corporation unless otherwise required of subdivisions, businesses or the like. The Corporation also may purchase or require and install or require a cutoff valve in each service line from the main distribution line or lines, such cutoff to be owned and maintained by the Corporation and to be installed on some portion of the service line to be owned by the Corporation. The Corporation shall have the sole and exclusive right to use of such cutoff valve. However, the provisions of this Section shall not be construed to require the acquisition or installation of meters or cutoff valves where the Board of Directors determine under the circumstances of the system and the nature of the Membership that the use of either or both of such devices is impractical, unnecessary to protect the system and the rights of the Membership, and/or economically not feasible.

- (b) Grant of Easements: Each Member shall, upon being requested to do so by the Corporation, execute and deliver to the Corporation such easements or rights-of-way over, in, on, under, through and across such lands owned or leased by the Member in accordance with such reasonable terms and conditions as the Corporation shall require for the furnishing of any and/or all types of Utility Service to such Member or to any other Member. The failure of a Member to grant such an easement shall result in the termination of such Member's Membership and shall result in the termination of Utility Service to the Member. Each Member shall participate in any required program that may be established by the Corporation to enhance services being furnished by the Corporation to the Members.
- (c) Compliance with Standards: Each Member shall cause all premises and or connection receiving any Utility Services pursuant to his Membership to become and to remain in compliance with the rules and regulations of the Illinois Environmental Protection Agency, Illinois Commerce Commission, any local code or ordinance, and all rules and regulations of the Corporation duly adopted by the Board of Directors. Each Member shall make available to the Corporation a suitable site, as determined by the Corporation, to place the Corporation's physical facilities for the furnishing and metering of such Utility Services and shall permit the Corporation's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source, for meter reading and bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such Utility Service facilities at all reasonable times. As part of the consideration for such service, a Member shall not interfere with, impair the operation of, or cause any damage to such facilities, and shall use his best efforts to prevent others from so doing.
- (d) Compliance with Corporation Rules & Regulations: Each Member, by applying for Membership with the Corporation, agrees to comply with the Bylaws and the rules, regulations, rates, and policies established by the Board of Directors.

Section 2. Member's Responsibility for Connection of Service Lines.

Each Member will be required, at his own expense, to have dug a ditch for the connection of the Utility Service line or lines from the property line of the Member to his dwelling or other portion of his premises, and to purchase and have installed the portion of the Utility Service line or lines from his property line to the place of use on his premises. The Member will maintain such portion of such serviceline or lines which shall be owned by the Member, at his own expense. The Corporation may, if the Board so determines, 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 Members. In addition, each Member shall pay such connection charge, if any, as may have been imposed by the Board before such Member will be entitled to receive one or more Utility Services from the Corporation.

Section 3. Additional Services.

Each Member may be permitted to have additional services from the Corporation's Utility Service systems in the discretion of the Board of Directors upon proper application therefor and the tender of payment not to exceed the then existing connection charge. The approval by the Board of Directors of additional services to an existing Member may be made conditional upon such provisions as the Board of Directors determines necessary to protect the interests of other Members to allow for the orderly expansion and extension of each Utility Services system. Each Utility Service shall connect with the place of desired use by the Member if the Corporation's Utility Service system has sufficient capacity to permit the delivery of an applicable Utility Service through a prior service line. If the Corporation's applicable Utility Services systems is inadequate to permit the delivery of an applicable Utility Service through a prior service line, then such service line shall be installed at such place designated by the Corporation.

Section 4. Utility Service Purchase.

Each Member may be permitted to purchase, on a cooperative basis, from the Corporation, and pursuant to such agreement as may from time to time be provided and required by the Corporation, such Utility Service as is needed by him subject, however, to the provisions of these Bylaws and to such rules and regulations as may be prescribed by the Board.

Section 5. Reserved.

Section 6. Monthly Rates and Late Charges.

All Members who are served with any Utility Service through the Corporation shall pay such flat minimum monthly rate to be payable irrespective of whether Utility Service is used by a Member during any month; the amount of additional charges, if any, for additional Utility Service which may be supplied the Members; the amount of late payments; and any other charge for Utility Service, as well as fix the date for the payment of such charges, as established pursuant to such rules and regulations as may be prescribed by the Board.

Section 7. Distribution of Surplus Funds.

It is not anticipated that there will be any surplus funds or net income to the Corporation at the end of the fiscal year after provisions are made for the payment of the expense of operation and maintenance and the funding of the various reserves for depreciation, debt retirement and other purposes, including those required by the terms of any borrowing transaction. In the event that there should exist such surplus funds or net income, they may be placed in an existing or new reserve account to be used for the early retirement of any outstanding indebtedness or to be used for the improvement and/or extension of the corporate facilities as the Board of Directors may determine to be in the best interest of the Corporation and to the extent not otherwise provided for by any contractual arrangement. The occurrence in subsequent fiscal years of surplus funds or net income above the requirements of the Corporation as above mentioned, including, if any, a reserve for improvements and extension of the facilities, shall be taken into consideration by the Board of Directors in determining the rates to be charged to the Members.

**ARTICLE III
RIGHTS AND LIABILITIES OF MEMBERS**

Section 1. Member Liability.

The private property of the Members shall be exempt from execution or other liability for the debts of the Corporation, and no member shall be liable or responsible for any debts or liabilities of the Corporation, except to the extent of any unpaid portion of such Member's membership fee or connection fee, as applicable, and any unpaid bills to the Corporation.

Section 2. Reserved.

**ARTICLE IV
MEETINGS OF MEMBERS**

Section 1. Annual Meeting.

The annual meeting of the Members shall be held at such time in each year and at such place within a county served by the Corporation, as selected by the Board of Directors and which shall be designated in the notice of the meeting, for the purpose of electing Board of Director members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Corporation.

Section 2. Special Meeting.

Special meetings of the Members may be called by resolution of the Board, or upon a written request signed by any three (3) Board of Director members or by 10 percentum (10%) or more of all the Members. Special meetings of the active Members may be held at any place

within one (1) of the counties served by the Corporation as designated by the Board of Directors and shall be specified in the notice of the special meeting.

Section 3. Member Voting Representatives and Alternates:

Notwithstanding anything contained within this Article IV, each Class D Member and Class E Member admitted to Membership pursuant to Section 3 of this Article I shall be entitled to select by vote of its governing board, one of its members of its governing board, Directors, officer, or employee of a Class D or Class E Member, to act as the voting representative, and one such Person as the alternate, of such Class D or Class E Member at the regular or special meetings of the Corporation. Such representative or alternate when so selected, shall continue to be the representative or alternate, respectively, of such Class D or Class E Member until the representative or alternate shall resign or the Class D or Class E Member shall have selected a successor representative or alternate and shall have so notified the Secretary of the Corporation in writing. In the event both the representative and the alternate of such Class D or Class E Member shall fail or be unable to act, then the president, general manager, chief executive officer, or chairman of the governing board of such Class D or Class E Member shall self-certify to represent the Class E or Class D Member and cast the vote of such Class D or Class E Member. No individual may represent more than one Class D or Class E Member and proxy voting is prohibited in all meetings. Such voting representative or alternate when so selected and upon said Class D or Class E Member having qualified as a Member, as provided in Section 3 of Article I of these Bylaws, shall continue to be the voting representative or alternate, respectively, of such Class D or Class E Member until he shall resign or the Member shall have selected a successor voting representative or alternate and shall have so notified the Secretary of the Corporation in writing by an instrument executed in the name of the Class D or Class E Member through a legally authorized officer.

Section 4. 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 seven (7) days nor more than twenty (20) days before the date of the meeting, either personally, by electronic transmission (e-mail), 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, or in the case of a Class D or Class E Member, to the representative and alternate of such Class D or Class E Member. If mailed, such notice shall be delivered when deposited in the United States Mail, addressed to the active Member as it appears on the records of the Corporation, with postage thereon prepaid. If sent by electronic transmission (e-mail), such notice shall be delivered when sent by the Corporation to the e-mail address of the active Member as it appears on the records of the Corporation. The failure of an active 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 5. Quorum.

As long as the total number of Members does not exceed one thousand (1,000), at least five percentum (5%) of the total number present in Person or represented by proxy shall be constitute a quorum for the transaction of business at all meetings of the Members provided at least four percentum (4%) of the total number of Members are present in Person. In case the total number of Members shall exceed one thousand (1,000), then at least fifty (50) of the Members present in Person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the Members. In case of a Joint Membership, the presence at a meeting of either Joint Member, or both, shall be regarded as the presence of one Member. If less than a quorum is present at any meeting, a majority of those present or represented by proxy may adjourn the meeting from time to time without further notice.

Section 6. Voting.

Each Member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the active Members. 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 Bylaws.

Section 7. Proxies.

At all meetings of Members, a Member may, except as otherwise provided by law, the Articles of Incorporation or these Bylaws, vote by proxy by executing such proxy in writing and giving only to another Member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the Members unless it shall designate the name of the Member, who is a Natural Person, to whom the proxy is given; 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. No Member shall vote as proxy for more than three (3) Members at any meeting of the Members, and no proxy shall be valid after sixty (60) days from the date of its execution. The presence of a Member at a meeting of the Members shall revoke a proxy theretofore executed by such Member, and such Member shall be entitled to vote at such meeting in the same manner and with the same effect as if such Member had not executed a proxy.

In case of a Joint Membership, a proxy may be executed by either Joint Member. The presence of either Joint Member or both at a meeting of the Members shall revoke a proxy theretofore issued by either of them, and such Joint Member or Joint Members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

Section 8. Order of Business.

The order of business at the annual meeting of the Members and, so far as possible, at all other meetings of all Members, shall be essentially as follows, except as otherwise determined by the Members at such meeting:

- (a) Report on the number of Members present in Person, or represented by proxy, in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Approval of unapproved minutes of previous meetings of the Members and the taking of necessary action thereon. All unapproved minutes of previous meetings shall be read, unless each Member present at the meeting at which minutes are presented for approval shall have been furnished a copy of such unapproved minutes, in which case, the President or Secretary may entertain, and take appropriate action upon, a motion from the floor to dispense with the reading of such minutes as are contained in the copies furnished to the active Members present.
- (d) Presentation and consideration of, and acting upon, reports of officers, Directors and committees.
- (e) Election of Directors.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

ARTICLE V BOARD MEMBERS

Section 1. General Powers.

The business and affairs of the Corporation shall be conducted by a Board of Directors of nine (9) members which shall establish policies and practices which will insure the sound financial operation of the Corporation and will exercise all of the powers of the Corporation except such as are by law, the Articles of Incorporation, or these Bylaws conferred upon or reserved to the members. All Directors of the Board shall be a Class A, B, or C Member of the Corporation. Three (3) of such Directors of the Board shall be a resident of District 1 of the Corporation, which shall be comprised of Effingham and Cumberland Counties, three (3) of such Directors of the Board shall be a resident of District 2 of the Corporation, which shall be comprised of Clay, Jasper, Richland, and Edwards Counties, and three (3) of such Directors of the Board shall be a resident of District 3 of the Corporation (“At Large”) which shall be comprised of all other counties being served by the Corporation (i.e. not a resident of Effingham, Clay, Jasper, Cumberland, Richland, and Edwards Counties), currently being Christian, Clark, Crawford, Coles, Fayette, Montgomery, Moultrie, Sangamon, and Shelby Counties, or is a resident of a county which is being served by future phases of the Corporation.

Section 2. Election and Tenure of Office.

Members of the Board shall be elected by ballot by and from the Members at each annual meeting of the Members, who shall serve for a term of three (3) years or until their successors shall have been elected and shall have qualified. At each annual meeting of the Members, the Members shall elect for a term of three (3) years, one Director from District 1, one Director from District 2, and one Director from District 3. Each Director shall hold office for the term for which he is elected and until his successor shall have been elected and qualified.

Section 3. Qualifications.

No Person shall be eligible to become or remain a Board Member of the Corporation who:

- (a) Is not a Natural Person;
- (b) Is not a Member living on the premises or property where Utility Service is used and purchased, or will be used and purchased.
- (c) Is not a bona fide resident of the District such Member represents.
- (d) Is in any way employed or financially interested in a competing enterprise or a business selling Utility Services or supplies Utilities Services to the Corporation, or a business primarily engaged in selling Utility Services, or plumbing appliances, fixtures or supplies to the members of the Corporation.
- (e) Is the spouse of a Board Member of the Corporation.

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

Section 4. Nominations.

It shall be the duty of the Board of Directors to appoint, not less than thirty (30) days nor more than ninety (90) days, before the date of a meeting of the Members at which the Directors are to be elected, a committee on nominations consisting of not less than six (6) nor more than nine (9) Members who shall be selected so as to give equitable representation on the committee to the geographical areas served by the Corporation. No officer or member of the Board of Directors shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Corporation at least twenty (20) days before the meeting a list of nominations for each of the three (3) Director positions, but any fifteen (15) or more Members may make other nominations in writing over their signatures not less than fifteen (15) days prior to the meeting, and the Secretary shall post the same at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting a statement showing the nominations made by the committee on nominations and the nominations made by petition, if any. Nothing contained herein, however, shall prevent

additional nominations to be made from the floor at the meeting of the Members. No Member may nominate more than one (1) candidate.

Section 5. Removal of a Board Member.

If a Board member fails to attend six (6) consecutive regular meetings of the Board, the Board shall declare the office of such Board member vacant and fill the vacancy in accordance with the provisions of Sec. 6 of this Article. Any Member may bring charges against a Board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten percentum (10%) of the active Members or 200, whichever is the lesser, may request the removal of such Board member by reason thereof. Such Board member shall be informed in writing of the charges at least ten (10) 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 such member shall have the same opportunity. The question of the removal of such Board member shall be considered and voted upon at the meeting of the active Members, and any vacancy created by such removal may be filled by vote of the Members at such meeting without compliance with the foregoing provisions with respect to nominations, except the newly elected Board member shall meet the qualifications listed in Article V, Sec. 3 of these Bylaws.

Section 6. Vacancies.

Except for the provisions of Sec. 5 of this Article, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Board members. Board members so elected shall serve until the next annual meeting of the Members or until their successors shall have been elected and qualified.

Section 7. Compensation.

Board members shall not receive any salary for their services as such, except that members of the Board may by resolution authorize a fixed sum for each day or portion thereof spent on Corporation business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, Board members may also be reimbursed for expenses actually necessarily incurred in carrying out such Corporation business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No Board member shall receive compensation for serving the Corporation in any other capacity, nor shall any Close Relative of a Board member receive compensation for serving the Corporation, unless the payment and amount of compensation shall be specifically authorized by a vote of the active Members, or the service by the Board member of a Close Relative of such Board member shall have been certified by the Board as an emergency measure.

Section 8. Appointment of Expansion Committee.

(a) The Board of Directors hereby appoints an Expansion Committee which shall consist of five (5) Members.

(b) Authority.

1. The Expansion Committee, to the extent not restricted by law, shall have the authority or discretion to review and make recommendations on those matters submitted to the Expansion Committee by the Board of Directors. Furthermore, the Expansion Committee shall have the authority or discretion to review and make recommendations to the Board of Directors concerning the expansion of the EJ Water Cooperative, Inc. public water system and service area. Other than as specifically set forth in this Section, the Expansion Committee shall not participate in the management or control of the Corporation's business nor shall it transact any business for the Corporation, nor shall it have the power to act or bind the Corporation, such powers being vested solely and exclusive in the Board of Directors.

2. The Board of Directors shall provide the Expansion Committee sufficient information and factual analysis to enable the Expansion Committee to make a reasoned and informed decision on any matter submitted to the Expansion Committee by the Board of Directors.

3. No member of the Expansion Committee shall be entitled to receive any fees or other compensation for serving as a member of the Expansion Committee. The Corporation shall reimburse each member of the Expansion Committee for such member's out-of-pocket expenses incurred in connection with such member's service on the Expansion Committee, including without limitation, all reasonable expenses for airfare, lodging, meals and other travel expenses incurred in attending meetings of the Expansion Committee.

4. The Corporation shall defend, indemnify and hold harmless each member of the Expansion Committee, (each, an "Indemnitee") from and against any and all liabilities, demands, claims, actions or causes of action, losses or expenses (including reasonable attorneys' fees, expenses and costs of investigation) sustained or incurred by any such Indemnitee by reason of the fact that such Indemnitee is or was a member of the Expansion Committee, or by reason of action taken or omitted to be taken by such Indemnitee in any such capacity, provided that such Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation.

(c) Term of Office. Each member of the Expansion Committee shall continue as such until the next annual meeting of the Members of the Corporation and until his or her successor is appointed, unless the Expansion Committee shall

- be sooner terminated, or unless such member be removed from such Expansion Committee by the Board of Directors, or unless such Member shall cease to qualify as a member thereof.
- (d) Regular Meetings. A regular meeting of the Expansion Committee shall meet at least once every three (3) months at such time and place within one (1) of the counties served by the Corporation as designated by the Board of Directors. Such regular Expansion Committee meeting may be held without notice other than such resolution fixing the time and place thereof.
 - (e) Special Meetings. Special meetings of the Expansion Committee may be called by any two (2) members of the Expansion Committee or by direction by the Board of Directors.
 - (f) Chair. The members of the Expansion Committee shall appoint one member of said Committee to serve as chair.
 - (g) Vacancies. Vacancies in the membership of the Expansion Committee may be filled by appointment by the Board of Directors.
 - (h) Quorum. Unless otherwise provided in the resolution of the Board of Directors, a majority of the whole committee shall constitute a quorum, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the Expansion Committee, with each of its members entitled to one vote in all matters.
 - (i) Rules. The Expansion Committee may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board of Directors.
 - (j) Informal Acts. The authority of the Expansion Committee may be exercised without a meeting if a consent in writing, setting forth the action taken, is signed by all the members entitled to vote.

Section 9. Committees and Advisory Boards

- (a) Committees or Advisory Bodies. Committees or advisory bodies not having and exercising the authority of the Board in the Corporation may be designated or created by the Board and shall consist of such Persons as the Board designates. A committee or advisory body may or may not have Directors as Members, as the Board determines. The committee or advisory body may not act on behalf of the Corporation or bind it to any actions but may make recommendations to the Board or to the officers of the Corporation.
- (b) Term of Office. Each member of a committee or advisory board shall continue as such until the next annual meeting of the Members of the Corporation and until his or her successor is appointed, unless the committee

- or advisory board shall be sooner terminated, or unless such member be removed from such committee or advisory board by the Board, or unless such member shall cease to qualify as a member thereof.
- (c) Chair. One member of each committee or advisory board shall be appointed chair.
 - (d) Vacancies. Vacancies in the membership of any committee or advisory board may be filled by appointments made in the same manner as provided in the case of the original appointments.
 - (e) Quorum. Unless otherwise provided in the resolution of the Board designating a committee or advisory board, a majority of the whole committee or advisory board shall constitute a quorum, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee or advisory board.
 - (f) Rules. Each committee or advisory board may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board.
 - (g) Informal Acts. The authority of a committee or advisory board may be exercised without a meeting if a consent in writing, setting forth the action taken, is signed by all the members entitled to vote.

ARTICLE VI MEETINGS OF BOARD

Section 1. Regular Meetings.

A regular 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 monthly at such time and place within one (1) of the counties served by the Corporation as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings.

Special meetings of the Board may be called by the President or by any three (3) Board members. The President or Board Members calling the meeting shall fix the time and place for the holding of the meeting.

Section 3. Notice of Special Board Meetings.

Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board Member either personally, by electronic transmission (e-mail), or by

mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or one (1) of the Board Members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the Board Member at the address of such Board Member as it appears on the records of the Corporation, with postage thereon prepaid, at least five (5) days before the date set for the meeting. If sent by electronic transmission (e-mail), such notice shall be delivered when sent by the Corporation to the e-mail address of the Board Member as it appears on the records of the Corporation, at least five (5) days before the date set for the meeting.

Section 4. Quorum.

A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board Members of the time and place of such adjourned meeting. The act of a majority of the Board Members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

**ARTICLE VII
OFFICERS**

Section 1. Number.

The officers of the Corporation shall be a President, Vice President, Secretary, Treasurer and such other officers as may be determined by the Board from time to time. All officers shall be Members of the Corporation.

Section 2. Election and Term of Office.

The officers shall be elected annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the Members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the Members or until the successor to such office shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by the Board.

Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Corporation will be served thereby.

Section 4. President.

The President shall:

- (a) Be the principal executive officer of the Corporation and, unless otherwise determined by the Board, shall preside at all meetings of the Members and the Board.
- (b) Sign 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 Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed.
- (c) In general perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

Section 5. Vice President.

In the absence of the President, or in the event of the inability or refusal of the President 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 the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to the Vice President by the Board. In case of death, expulsion, resignation or disability of the President, the Board may declare the office vacant and elect his successor.

Section 6. Secretary.

The Secretary shall be responsible for:

- (a) Keeping the minutes of the meetings of the Members and of the Board in books provided for that purpose.
- (b) Seeing that all notices and reports are duly given in accordance with these Bylaws or as required by law.
- (c) The safekeeping of the corporate books and records and the seal of the Corporation and affixing the seal of the Corporation to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws.
- (d) Keeping a register of the names and post office addresses of all Members.
- (e) Keeping a proper Membership certificate record, showing the name of each Member of the Corporation and the date of issuance, surrender, transfer, termination, cancellation or forfeiture.
- (f) Keeping on file at all times a completed copy of the Articles of Incorporation and Bylaws of the Corporation containing all amendments thereto (which copy shall always be open to the inspection of any Member) and at the expense of the Corporation, furnishing a copy of the Bylaws and of all amendments thereto to any Member upon request.
- (g) In general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board.
- (h) In the absence of the Treasurer or in the event of the inability or refusal of the Treasurer to act, the Secretary shall perform the duties of the Treasurer and, when so

acting, shall have all the powers of, and be subject to, all the restrictions upon the Treasurer.

Section 7. Treasurer.

The Treasurer shall be responsible for:

- (a) Custody of all funds and securities of the Corporation.
- (b) The receipt of and the issuance of receipts for all monies due and payable to the Corporation and for the deposit of all such monies in the name of the Corporation in such bank or banks as shall be selected in accordance with the provisions of these Bylaws.
- (c) The general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board.
- (d) In the absence of the Secretary or in the event of the inability or refusal of the Secretary to act, the Treasurer shall perform the duties of the Secretary and, when so acting, shall have all the powers of, and be subject to, all the restrictions upon the Secretary.

Section 8. Bonds of Officers.

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

Section 9. Compensation.

The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws with respect to compensation for a Board Member and Close Relatives of a Board Member.

Section 10. 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. Such reports shall set forth the condition of the Corporation at the close of such fiscal year.

Section 11. General Manager; Chief Executive Officer.

The Board of Directors may appoint a General Manager, who may be, but who shall not be required to be, a Member of the Corporation, and who also may be designated Chief Executive Officer. Such officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to

time vest in him, and such General Manager may be compensated as the Board of Directors may determine.

ARTICLE VIII INDEMNIFICATION OF OFFICERS AND DIRECTORS

Each Director and each officer of the Corporation and any Director or officer of any other corporation serving as such at the request of the Corporation because of the Corporation's interest as a stockholder, member, or creditor of such other corporation, shall be indemnified by the Corporation against all expenses, as hereinafter defined, which shall necessarily or reasonably be incurred by such Person in connection with any action, suit or proceeding to which such Person in connection with any action, suit or proceeding to which such Person is or shall be a part, or with which such Person may be threatened, by reason of such Person being or having been a Director or officer of the Corporation or of such other corporation, whether or not such Person continues to be a Director or officer at the time of incurring such expenses. As used in this section, expenses shall include amounts of judgments against, or amounts paid in settlement by such Director or officer, other than amounts payable or paid to the Corporation, but shall not include any (a) expenses incurred in connection with any matters as to which such Director or officer shall be adjudged in such action, suit or proceeding, without such judgment being reversed, to be liable by reason of the willful misconduct of such Person as such Director or officer, or (b) expenses incurred in connection with any matters which shall have been the subject of such action, suit or proceeding disposed of otherwise than by adjudication on the merits, unless in relation to such matters such Director or officer shall not have been liable for willful misconduct in the performance of the duties of such Person as a Director or officer. As to whether or not a Director or officer was liable for willful misconduct in the performance of the duties of such Person as a Director or officer, the Board of Directors and each Director and officer may conclusively rely upon an opinion of legal counsel selected by or in the manner designated by the Board of Directors. The foregoing right of indemnification shall be in addition to any rights to which any Director or officer may be or become entitled by law, vote of Members or otherwise.

ARTICLE IX DISPOSITION OF PROPERTY

Section 1.

The Corporation may not sell, lease or otherwise dispose of any of its property; except,

- (a) property which, in the judgment of the Board of Directors is or will be neither necessary nor useful in operating and maintaining the Corporation's system, provided however, that sales of such property shall not in any one year exceed in value of ten percentum (10%) of the value of all the property of the Corporation.
- (b) services of all kinds, including water,
- (c) personal property acquired for resale, and,

(d) the mortgage or pledge of property of the Corporation as security for money borrowed by the Corporation solely for the purpose of the Corporation;

unless such sale, lease or other disposition is authorized by the vote of at least two-thirds (2/3) of all of the Members of the Corporation expressed in Person or by proxy by secret written ballot at any regular or special meeting called for that purpose and the notice of such proposed sale, lease or other disposition of property shall have been contained in the notice of the meeting.

Section 2.

The Board of Directors may borrow and/or accept money to be used solely for the purposes of the Corporation and may pledge and mortgage the property of the Corporation therefor.

**ARTICLE X
SEAL**

The corporate seal of the Corporation shall have inscribed thereon the name of the Corporation and the words "Corporate Seal Illinois."

**ARTICLE XI
FINANCIAL TRANSACTIONS**

Section 1. Contracts.

Except as otherwise provided in these Bylaws, the Board 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 Corporation, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc.

All checks, drafts or other orders for payment of money, and all notes, bonds or other evidence of indebtedness issued in the name of the Corporation shall be signed and/or countersigned 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.

Section 3. Deposits.

All funds except petty cash of the Corporation shall be deposited from time to time to the credit of the Corporation in such bank or banks as the Board may select.

Section 4. Change in Rates.

Written notice shall be given to the Administrator of the Rural Development of the United States of America not less than thirty (30) days prior to the date upon which any proposed change in the rates charged by the Corporation for water service becomes effective.

Section 5. Fiscal Year.

The fiscal year of the Corporation shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

**ARTICLE XII
MISCELLANEOUS**

Section 1. Membership in Other Organizations.

The Corporation may, upon authorization of the Board, become a member of, or purchase stock in, any other organization when, in the judgment of the Board, such membership will foster and further the aims and objectives of the Corporation in furnishing low cost water service, and other utility services to its active Members.

Section 2. Waiver of Notice.

Any Member or Board member may waive in writing any notice of a meeting or Board member at any meeting shall constitute a waiver of notice of such meeting by such Member or Board member, except in case a Member or Board member 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. In case of a Joint Membership, a waiver of notice signed by either husband or wife shall be deemed waiver of notice of such meeting by both Joint Members.

Section 3. Policies, Rules and Regulations.

The Board shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Corporation.

Section 4. Accounting System and Reports.

The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Development of the United States of America. The Board shall also after the close of each fiscal year cause to be made a certified public accountant, a full and complete audit of the accounts, books and financial condition of the Corporation as of the end of such fiscal year. A report of such audit shall be submitted to the Members at the next following annual meeting.

Section 5. Rules of Order.

Parliamentary procedure at all meetings of the Members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the Members or Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Corporation's Articles of Incorporation, Bylaws or other rule, regulation, or policy duly adopted by the Members or the Board of Directors, as the case may be.

ARTICLE XIII AMENDMENTS

Section 1. Articles of Incorporation.

The Articles of Incorporation of the Corporation may be amended from time to time in the following manner:

- (a) The Board shall adopt a resolution setting forth the proposed amendment and directing that it may be submitted to a vote at a meeting of the Members, which may be either a regular annual meeting or a special meeting.
- (b) Written or printed notice setting forth the proposed amendment shall be given to each Member within the time and in the manner provided in these Bylaws for the giving of notice of meetings of Members. If such meeting be a regular annual meeting, the proposed amendment may be included in the notice of such regular annual meeting.
- (c) At such meeting, a vote of the Members shall be taken on the proposed amendment, and the proposed amendment shall be adopted upon receiving the affirmative vote of at least two-thirds (2/3) of those Members present in Person or represented by proxy at such meeting.

Any number of amendments may be submitted to the Members and voted upon by them at one meeting.

After the adoption of the proposed amendment or amendments, the Board shall authorize the proper officer to take such further steps as may be required by law to effectuate the proposed amendment or amendments to the Articles of Incorporation.

Section 2. Bylaws.

These Bylaws may be altered, amended or repealed by a vote of the majority of the Board of Directors present at any regular or special meeting of the Corporation called for that purpose, except that so long as any indebtedness is held by or guaranteed by the Rural Development, the Board of Directors shall not have the power to change the purposes of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the Corporation of its

Members, or so to amend the Bylaws as to effect a fundamental change in the policies of the Corporation without the prior approval of the Rural Development in writing.

ARTICLE XIV NOT FOR PROFIT, COOPERATIVE OPERATION

Section 1. Interest or Dividends on Capital Prohibited.

The Corporation shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its Members or patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its Members or patrons.

Section 2. Patronage Capital.

In the furnishing of Utility Services to Members or patrons on a cooperative basis, the Corporation's operations shall be conducted so that all Members or patrons will, through their patronage, furnish capital for the Corporation. In order to induce patronage and to assure that the Corporation will operate on a non-profit, cooperative basis, the Corporation is obligated to account on a patronage basis to all its Members and patrons for all amounts received and receivable from the furnishing of Utility Services in excess of operating costs and expenses properly chargeable against the furnishing of Utility Services. All such amounts in excess of operating costs and expenses at the moment of receipt by the Corporation are received with the understanding that they are furnished by the Members or patrons as capital. The Corporation is obligated to pay by credits to a capital account for each Member or patron all such amounts in excess of operating costs and expenses. The books and records of the Corporation shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each Member or patron is clearly reflected and credited in an appropriate record to the capital account of each Member or patron, and the Corporation shall within a reasonable time after the close of the fiscal year notify each Member or patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any Member or patron shall have the same status as though they had been paid to the Member or patron in cash in pursuance of a legal obligation to do so and the Member or patron had then furnished the Corporation corresponding amounts for capital. All other amounts received by the Corporation from non-operation activity in excess of costs and expenses shall, in the discretion of the Board of Directors and insofar as permitted by law, be used to offset any losses incurred during the current or any prior fiscal year, and to the extent not needed for that purpose, at the discretion of the Board of Directors, shall be allocated or not allocated to the Members or patrons on a patronage basis. Any amount so allocated shall be included as a part of the capital credited to the accounts of its Members or patrons, as provided herein. In the event of dissolution or liquidation of the Corporation, after all outstanding indebtedness of the Corporation shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of Members; provided, however, that after the payment of debt and the retirement of outstanding capital credits to Members and patrons, all remaining assets shall be distributed to Members, but not patrons, of the Corporation. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Corporation will not be impaired thereby, the capital then credited to Members'

and/or patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made on such terms and conditions as the Board of Directors shall determine. The Board shall, based upon each Utility Service provided (a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons, (c) provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts and (d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year. Capital credited to the account of each patron shall be assignable only on the books of the Corporation pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Corporation, unless the Board of Directors, acting under policies of general application, shall determine otherwise. Notwithstanding any other provisions of these Bylaws, the Board of Directors shall at its discretion have the power at any time upon the death of any patron, who was a Natural Person (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a Natural Person), if the legal representatives of his estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon; provided, however, that the financial condition of the Corporation will not be impaired thereby. The Corporation, before retiring any capital credited to any patron's account, shall deduct there from any amount owing by such patron to the Corporation together with interest thereon at the Illinois legal rate on judgments in effect when such amount became overdue, compounded annually.

Section 3. Notice to Members or Patrons of Contract.

The Members of the Corporation, by dealing with the Corporation, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Corporation and each Member, and both the Corporation and the Members are bound by such contract, as fully as though each Member had individually signed a separate instrument containing such terms and provisions. The provisions of the Bylaws shall be called to the attention of each Member or patron of the Corporation by the posting of the in a conspicuous place in the Corporation's offices.

Section 4. Reserved.

Section 5. Interests in Other Organizations.

The Corporation may, upon authorization of the Board of Directors, become a member, stockholder or other interest holder in any other organization which the Board of Directors deems to be in the best interest of the Corporation.

ARTICLE XV
DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

Upon the Corporation's dissolution, any assets remaining after all liabilities or obligations of the Corporation have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors not inconsistently with the provisions of the Bylaws and the Illinois General Not for Profit Corporation Act, 805 ILCS 105/101 et seq. be distributed without priority but on a patronage basis among all Persons who have been Members of the Corporation for any period(s) during its existence; provided, however, that if in the judgment of the Board of Directors the amount of such surplus is too small to justify the expense of making such distribution the Board may, in lieu thereof and within a period of one year after dissolution, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.