

BY-LAWS  
OF  
BELFOREST WATER SYSTEM

ARTICLE I

General Purposes

The purpose for which this corporation is formed, and the powers which it may exercise are set forth in the articles of incorporation of the corporation.

ARTICLE II

Name and Location

Section 1. The name of this corporation is Belforest Water System.

Section 2. The principal office of this corporation shall be located in the Belforest Community, County of Baldwin, State of Alabama.

ARTICLE III

Seal

Section 1. The seal of the corporation shall have inscribed thereon the name of the corporation, the year of its organization and the words, "Corporation Not For Profit, Alabama."

Section 2. The Secretary of the corporation shall have custody of the seal.

Section 3. The seal may be used for causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IV

Fiscal Year

The fiscal year of the corporation shall begin the 1<sup>st</sup> day of January in each year.

ARTICLE V

Membership

Section 1. Every person (which word as used herein includes any legal entity) who is a record owner of a fee or undivided fee interest, or having a substantial possessory interest, in a property served by the water system may become a member of the corporation upon signing such applications and agreements for the purchase of water as may be provided and required by the corporation and upon the payment of such connection fee as may be imposed by the board of directors provided that only one membership at a time may be held for each property served. A single membership may be issued to all persons owning or having a substantial possessory interest in the property. Only one membership may be held with respect to property at one time. The board of directors shall cause to be issued appropriate certificates of membership, provided that membership shall not be denied because of the applicant's race, color, creed, or national origin. Membership may be denied if capacity of the corporation's water system is exhausted by the need of its existing members, or if the proposed use of the applicant is such that it would interfere with existing uses previously authorized by the board of directors.

A. A substantial possessory interest is one where the person or persons have a legal right to control and occupancy of a property but do not have the legal or the equitable ownership of the property. It may be under a lease or similar right to possession.

(1) Before membership is allowed to one or more persons claiming such an interest, the corporation

will endeavor to obtain the application for membership from the owner of such property.

- (2) Where membership is granted to one or more persons having a substantial possessory interest, the corporation as a condition to the membership may require such applicant to post such collateral or bond as the directors determine necessary to fully protect the corporation from any additional risk that may be involved to the corporation by reason of the lack of legal ownership in the applicant.

Section 2. Each member shall have only one membership for each property served, regardless of the number of service connections he may obtain to serve his property. Each membership certificate shall represent one vote. When more than one person holds the interest in a property served, the vote shall be exercised by the person in whose name the certificate is registered or by such person as the several persons may designate, but in no event shall more than one vote be cast with respect to any property.

Section 3. Membership shall be transferable but the transfer will be effective only when noted on the books of the corporation. Such transfer will be made only to a person who obtains a qualifying interest in the property. A member will transfer his membership in the corporation to his successor in interest as part of the transaction whereby he disposes of his interest to said property. The Secretary, upon request, will make note of such transfer upon the records of the corporation but need not issue a new certificate to the successor in interest of the previous existing member.

Section 4. When membership in the corporation is not transferred, it shall terminate upon the disposition or other termination of the member's interest in the property, regardless of whether or not the certificate is surrendered to the corporation. Membership also may be terminated by action of the board of directors where the use of the property is changed so as to materially increase the amount of water consumed to the prejudice of the other existing members or to the prejudice of the orderly operation of the system.

Section 5. The termination of the membership of any member 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 by-laws.

Section 6. 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 in person or through a designated representative to exercise all 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 the like manner as if the membership had been transferred to him by the original member as set forth in Section 4 above.

Section 7. Upon the transfer of a membership, the corporation will not look to the successor in interest for the payment of any past due amounts. The corporation will seek collection only from the individual who incurred such charges or assessments or from the property itself if a judgment lien had been duly perfected against such property.

## ARTICLE VI

### Meetings of Members

Section 1. The annual meeting of the members of this corporation shall be held in the Belforest Community, County of Baldwin, State of Alabama, at 6:00 o'clock P.M., on the fourth Monday in March of each year. The date, place and time of the meeting may be changed by the board of directors to any other place in the County by giving notice thereof to each member not less than ten (10) days in advance thereof.

Section 2. Special meetings of the members may be called at any time by the action of the board of directors and such meetings must be called whenever a petition requesting such meeting is signed by at least ten percent of the members and

presented to the Secretary or to the board of directors. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat except such as is specified in the notice.

Section 3. Notice of meetings of members of the corporation, both regular and special, shall be given by notice mailed by first-class mail to each member of record, directed to the address shown upon the books of the corporation, not less than ten (10) nor more than forty (40) days prior to such meeting. Such a notice shall state the nature, time, place and purpose of the meeting, but no failure or irregularity of notice of any annual meeting, regularly held, shall affect any proceedings taken thereat.

Section 4. The members present at a meeting of members entitled to cast a vote in their own right or by proxy. All proxies may be general or restrictive. Proxies shall be revocable and shall not be valid beyond 11 months, nor after termination of the membership by cessation of the member's interest in the property. Proxy voting for Board member elections shall contain the names of all individuals running for a board member seat. The system member shall circle, mark or otherwise affix their choice of board member or members for whom the proxy shall be designated. If the name of a board member running for election is not circled by the system member on the proxy it shall be deemed as a single vote solely for the proxy designee. Proxy voting for By-Law Amendment changes shall include all language for which proposed amendment changes can be voted upon. Each By-Law Amendment shall be voted, either for or against or yes/no, by the system members. The proxy designee of such system member proxy shall then vote in accordance with the system members' intent on each individually proposed By-Law Amendment.

Section 5. Directors of this corporation shall be elected at the annual meeting of the members as provided in ARTICLE VII, Section 1. No cumulative voting shall be allowed. In order to qualify for election to the Board of Directors a system member or current Board member must signify their intent to run for election no less than 60 days before the next Annual General Members Meeting. Such intent to run for election shall be made

in writing or in person to the President of the Board of Directors or to the Belforest Water System General Manager. Any individual qualifying for election shall have his or her name included on the Belforest Water System proxies, any individual seeking election that is not included on the system proxy shall be electable.

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

1. Calling to order and proof of membership
2. Proof of notice of meeting
3. Reading action on an unapproved minutes
4. Reports of officers and committees
5. Election of directors
6. Unfinished business
7. New business
8. Adjournment

## ARTICLE VII

### Directors and Officers

Section 1. The board of directors of this corporation shall consist of five members, all of whom shall be members of the corporation. The directors elected at the first meeting of the charter members shall serve until the first annual meeting of the members and until their successors are elected and have qualified. At the first annual meeting of the members, one director shall be elected for a term of one year; two directors for term of two years; and two directors for term of three years. At each annual meeting thereafter, the members shall elect for a term of three years the number of directors whose terms of office have expired. Each director shall hold office for the term for which he is elected and until his successor shall have been elected and qualified.

Section 2. The board of directors shall meet within ten (10) days after the annual election of directors and shall elect a President and Vice-President from among themselves and a Secretary-Treasurer who need not be a member of the board of directors, each of whom shall hold office until the next annual meeting and until the election and qualification of his successor unless sooner removed by death, resignation or for cause.

Section 3. If the office of any director becomes vacant by reason of death, resignation, retirement, disqualification or otherwise, except by removal from office, a majority of the remaining directors, though less than a quorum shall, by majority vote, choose a successor who shall hold office until the next regular meeting of the members of the corporation, at which time the members shall elect a director for the unexpired term or terms, provided that in the call of such regular meeting a notice of such election shall be given.

Section 4. A majority of the board of directors shall constitute a quorum at any meeting of the board. The affirmative vote of the majority of the directors at a meeting at which a quorum is present shall be the act of the board.

Section 5. Compensation of officers may be fixed at any regular or special meeting of the members of the corporation. Compensation for board members shall be fixed as follows: Board President \$300.00, Vice President and Secretary \$250.00 and board members \$200.00. This compensation shall be paid on a monthly basis and distributed at the next board meeting at which the board member is in attendance. If a board member is absent or is not on the meeting minutes, seated during roll call, they shall be deemed ineligible to receive compensation for that board meeting. If a board member loses their seat at election or steps down at the Annual General Meeting they shall receive compensation for that meeting so long as they are in attendance. Any new member voted in at the Annual General Meeting shall be deemed eligible for compensation as long as they take office and are present at the regular board meeting held immediately after their election to office.

Section 6. Officers and directors may be removed from or disqualified from office in the following manner: Any member, officer or director may present charges against a director or officer by filing them in writing with the Secretary of the corporation. If presented by a member, the charges must be accompanied by a petition signed by ten percent of the members of the corporation. Such removal shall be voted on at the next regular or special meeting of the members and shall be effective if approved by a vote of a majority of those voting. The director or officer against whom such charges have been presented shall be informed, in writing, of such charges at least twenty days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges against him shall have the same opportunity. If the removal of a director is approved, such action shall also vacate any other office held by the removed director in the corporation. A vacancy in the board thus created shall immediately be filled by a vote of a majority of the members present and voting at such meeting. A vacancy in any office thus created shall be filled by the board of directors from among their number so constituted after the vacancy in the board has been filled. If an officer or director misses four monthly board meetings during the year, between annual membership meetings, that board member shall be automatically disqualified from serving on the board for the remainder of their elected term. The vacancy on the board thus created shall be filled by an appointment of a member of the corporation by the remaining board of directors and that appointed director shall serve on the board until the next annual meeting, at which time the members of the corporation will elect a director to complete the remainder of the term of the disqualified director. If an officer misses three meetings during the year, between annual membership meetings, the board president, or designee thereof, will inform that director in writing that missing another meeting shall result in immediate disqualification and dismissal from the board.

If an officer is disqualified under this section they shall not be eligible for reelection to the board for a period of five (5) years.

Section 7. In order to qualify and serve as a director in the corporation, a member must reside within the distribution area of the corporation. No two or more directors shall be related by blood, marriage or adoption. No director of the corporation shall be related by blood, marriage or adoption to any employee of the corporation. Two or more employees may be related by blood, marriage, or adoption so long as one employee related by blood, marriage, or adoption does not serve in an immediate supervisory role over any other employee related by blood, marriage, or adoption.

## ARTICLE VIII

### Duties of Directors

Section 1. The board of directors, subject to restrictions of law, the articles of incorporation, and these by-laws, shall exercise all of the powers of the corporation, and, without prejudice to or limitation upon their general powers, it is hereby expressly provided that the board of directors shall have, and are hereby given, full power and authority in respect to the matters as hereinafter set forth to be exercised by the resolution duly adopted by the board:

- a. To approve membership application and to cause to be issued appropriate certificates of membership. The board may make binding commitments to issue membership certificates and to permit the connection of properties to the system in the future in cases involving proposed construction or may issue such certificates prior to the commencement of the proposed construction.
- b. To select and appoint all officers, agents or employees of the corporation, remove such agents or employees of the corporation, prescribe such duties and designate such powers as may not be inconsistent with these by-laws, fix their compensation and pay for faithful services.
- c. To borrow from any source, money, goods, or services and to make and issue notes and other negotiable or nonnegotiable instruments

evidencing indebtedness of the corporation; to make and issue mortgages, deeds of trust, pledges of revenue, trust agreements, security agreements and financing statements, and other instruments evidencing a security interest in the assets of the corporation; and, to do every act and thing necessary to effectuate the same.

- d. To prescribe, adopt and amend, from time to time, such equitable uniform rules and regulations as, in its discretion may be deemed essential or convenient for the conduct of the business and affairs of the corporation and the guidance and control of its officers and employees, and to prescribe adequate penalties for the breach thereof.
- e. To order, at least once each year, an audit of the books and accounts of the corporation by a competent public auditor or accountant. The report prepared by such auditor or accountant shall be submitted to the members of the corporation at their annual meeting. Copies of such audit shall be submitted to such parties as may be required by other agreements.
- f. To fix and alter and charges to be paid by each member for services rendered by the corporation to the member, including connection fees where such are deemed to be necessary by the directors, and to fix and alter the method of billing, time of payment, manner of connection, and penalties for late or nonpayment of the same. The board may establish one or more classes of users. All charges shall be uniform and nondiscriminating within each class of users.
- g. To require all officers, agents and employees charged with responsibility for the custody of any of the funds of the corporation to give adequate bonds, the cost thereof to be paid by the corporation, and it shall be mandatory upon the directors to so require.
- h. To select one or more banks to act as depositories of the funds of the corporation and

to determine the manner of receiving, depositing, and disbursing the funds of the corporation and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

- i. To levy assessments against the members of the corporation in such manner and upon such proportionate basis as the directors deem equitable, and to enforce collection of such assessments by the suspension of water service or other legal methods. The board of directors shall have the option to suspend the service of any member who has not paid such assessment.

## Article IX

### Duties of the Board Officers

Section 1. Duties of the President. The President of the Board of Directors shall act in a similar capacity of that of the Chairman of the Board of any other business corporation. He/she shall act as a liaison between the Board of Directors and the employees of the corporation. This should be accomplished through the top supervisory official employee of the corporation, who is in charge of the other employees. In addition, the President shall be the employees' liaison between themselves and the Board. Communication shall be through the top supervisory official employee to the President of the Board. The top supervisory official employee of the BWS shall report to the President of the Board. The President shall answer the sundry queries made by the other Directors of the Board and shall be the spokesperson for the Board and the BWS on all matters to the media, governmental agencies, and other members of the public, unless delegated to another Board member or employee. The President's duties include preparing an agenda for, and

conducting, the regular and special meetings of the Board of Directors and the annual membership meeting. The President shall act similar to that of the Chairman or President of the Board of any other business corporation.

Section 2. Duties of the Vice-President. In the absence or disability of the President, the Vice-President shall perform the duties of the President; provided, however, that in case of death, resignation or disability of the President, the board of directors may declare the office vacant and elect his successor.

Section 3. Duties of the Secretary-Treasurer. The Secretary-Treasurer shall keep a complete record of all meetings of the corporation and of the board of directors and shall have general charge and supervision of the books and records of the corporation. He shall attest the President's signature on all membership certificates and other papers pertaining to the corporation unless otherwise directed by the board of directors. He shall serve, mail, or deliver all notices required by law and by these by-laws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting or at such other time or times as the board of directors may require. He shall keep the corporate seal and membership certificate records of the corporation, complete and attest all certificates issued and affix said corporate seal to all papers requiring seal. He shall keep a proper membership certificate record, showing the name of each member of the corporation and date of issuance, surrender, transfer, termination, cancellation or forfeiture. He shall make all reports required by law and shall perform such other duties as may required of him by the corporation or the board of directors. Upon the election of his successor, the Secretary-Treasurer shall turn over to him all books and other property belonging to the corporation that he may have in his possession. He shall also perform such duties with respect to the finances of the corporation as may prescribed by the board of directors.

## ARTICLE X

### Benefits and Duties of Members

Section 1. The corporation will install, maintain and operate a main distribution pipeline or lines from the source of the water 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. The corporation also may purchase and install a cutoff valve in each service line from its main distribution line or lines, such cutoff valve to be owned and maintained by the corporation and to be installed on some portion of the service line 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 of installation of meters or cutoff valves where the 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.

Section 2. Each member will be required at his own expense to have dug a ditch for the connection of the service line or lines from the property line of the member to his dwelling or other portion of his premise, and to purchase and have installed the portion of the service line or lines from his property line to the place of use on his premise. The corporation will not install or maintain any member service line or lines beyond the water meter box. The member will maintain such portion of such service line or lines which shall be owned by the member, at his own expense. In addition, each member shall pay such connection charge, if any, as may have been imposed by the board of directors before such member will be entitled to receive water from the system.

Section 3. Each member may be permitted to have additional service lines from the corporation's water system in the

discretion of the board of directors upon proper application therefore and the tender of payment not to exceed the then existing connection charge. The approval by the board of directors of additional service lines 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 and to allow for the orderly expansion and extension of the system to serve other property that may need service along the distribution lines of the system. Each service line shall connect with the corporation's water system at the nearest available place to the place of desired use by the member if the corporation's water system has sufficient capacity to permit the delivery of water through a service line installed at such place without interfering with the delivery of water through a prior service line, then such service line shall be installed at such place designated by the corporation.

Section 4. Each member may be permitted to purchase from the corporation, pursuant to such agreement as may from time to time be provided and required by the corporation, such water as is needed by him for domestic, commercial, agricultural, industrial or other purposes as a member may desire, subject, however, to the provisions of these by-laws and to such rules and regulations as may be prescribed by the board of directors. Each member shall be entitled to have delivered to him through his service lines only such water as may be necessary to supply the needs of each member, including his family, business, agricultural or industrial requirements. The water delivered through each service line may be metered separately, irrespective of the number of service lines owned by a member.

Section 5. In the event the total water supply shall be insufficient to meet all of the needs of the members or in the event there is a shortage of water, the corporation may prorate the water available among the various members on such basis as is deemed equitable by the board of directors.

Section 6. The board of directors shall, with the consent of the USDA Rural Development, so long as it shall either hold any obligations or insure any financing of the system, prior to the beginning of each calendar year, determine the flat minimum monthly rate to be charged each member during the following

calendar year for a specified quantity of water, such flat minimum monthly rate to be payable irrespective of whether any water is used by a member during any month, the amount of additional charges, if any, for additional water which may be supplied the members, and the amount of penalty for late payments, and shall fix the date for payment of such charges. A member to be entitled to the delivery of water shall pay such charges at the office designated by the corporation at or prior to the dates fixed by the board of directors.

Section 7. The board of directors shall be authorized to require each member to enter into water users agreements which shall embody the principles set forth in the foregoing provisions of these by-laws.

## ARTICLE XI

### Distribution of Net Cash Increase

It is not anticipated the there will be any net cash increase to the corporation at the end of the fiscal year after provisions are made for the payment of the expenses 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 net cash increase, they may be placed in an existing or new reserve account to be used for the early retirement of an outstanding indebtedness or 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 net cash increase 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 water rates to be charged the members. The corporation will be required to set aside ten percent (10%) of the corporation's indebtedness each year for reserve purposes.

## ARTICLE XII

### Amendments

These by-laws may be replaced or amended by a vote of a majority of the members present at any regular meeting of the corporation, or at any special meeting of the corporation called for that purpose, except that so long as any indebtedness is held by or guaranteed by the USDA Rural Development, the members 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 the bond or other provision of the safety and security of the property and funds of the corporation or its members, or so to amend the by-laws as to effect a fundamental change in the policies of the corporation without the prior approval of the Farmers Home Administration in writing.