

BY-LAWS
OF
LUDWIG WATER USERS ASSOCIATION

ARTICLE I
General Purposes

The purposes 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 the Ludwig Water Users Association.

Section 2. The principal office of this corporation shall be located at Route 2, Clarksville, County of Johnson, State of Arkansas.

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, Ludwig Water Users Association."

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 1st 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 application 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 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 the 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 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 a 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 as set forth in Section 4 C, 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 Membership Certificates

Section 1. This corporation shall not have capital stock. Membership in the corporation shall be represented by membership certificates. Such certificates shall represent the right to use and enjoy the benefits of the corporation's water supply system upon payment of 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.

Section 2. A membership certificate shall be issued to each holder of fully paid membership, numbered consecutively in accordance with the order of issue, and bear on its face the following statements:

This membership certificate, No. _____, is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the articles of incorporation and by-laws and amendments to the same of the Ludwig Water users Association.

ARTICLE VII Meeting of Members

Section 1. The annual meeting of the members of this corporation shall be held at the Town of Ludwig, County of Johnson and State of Arkansas, at 7: 30 o'clock p.m., on the first Monday in January of each year. The place, day and time of the annual meeting may be changed to any other convenient place, day and time in the county by the board of directors giving notice thereof to each member not less than ten (10) days in advance.

Section 2. Special meetings of the members may be called at any time by the action of the board of directors and such meeting 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 presence at a meeting of members entitled to cast in their own right 20 percent of the total number of votes shall constitute a quorum.

Section 5. Directors of this corporation shall be elected at the annual meeting of the members as provided in Article VIII, Section 1. No cumulative voting shall be allowed.

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

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

ARTICLE VIII

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 named in the articles of incorporation 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, two directors shall be elected for a term of one year; two directors for a term of two years; and one director for a 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, through less than a quorum shall, by a 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. Directors shall receive no compensation for their services as such. No member of the board of directors shall occupy any position in the association on regular salary.

Section 6. Officers and directors may be removed from office in the following manner: Any member, officer or director may present charges against a director or officer by filing them in writing with the secretary of the 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 if a quorum is present. 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.

ARTICLE IX 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 resolution duly adopted by the board:

- a. To approve membership applications 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 a 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, together with a proposed budget for the ensuing year. Copies of such audits and budgets shall be submitted to such parties as may be required by other agreements.
- f. To fix and alter the 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 non-payment of the same. The board may establish one or more classes of users. All charges shall be uniform and nondiscriminatory within each class of users.
- g. To require all officers, agents and employees charged with responsibility of 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 depositaries 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 of 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 assessments within 30 days from the date of the assessment was due, provided the corporation must give the member at least 15 days written notice at the address of the member on the books of the corporation of its intention to suspend such service if the assessment is not paid. Upon payment of such assessments, any penalties applicable thereto, and a reconnection charge, if one is in effect, service will be promptly restored to such a member.
- j. To see that the operator-manager of the water system is licensed by the Arkansas State Board of Health in the same manner as provided in Act No. 333 (1957) of the General Assembly of the State of Arkansas.

ARTICLE X

Duties of Officers

Section 1. Duties of the president. The President shall preside over all meetings of the corporation and the board of directors, call special meetings of the board of directors, perform all acts and duties usually performed by an executive and presiding officer, and sign all membership certificates and such other papers of the corporation as he may be authorized or directed to sign by the board of directors, provided the board of directors may authorize any person to sign any or all checks, contracts and other

instruments in writing on behalf of the corporation. The president shall perform such other duties as may be prescribed by the board of directors.

Section 2. Duties of the vice-president. In the absence of the president, 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 and 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 be 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 be prescribed by the board of directors.

ARTICLE XI

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 or 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 of his dwelling or other portion of his premises, 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 premises. The member will maintain such portion of such service line or lines which shall be owned by the member, at his own expense. The corporation may, if the board of directors 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 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 at that point without interfering with the delivery of water through a prior service line. If the corporation's water system is inadequate to permit the delivery of water through a service line installed at such place without interfering with the delivery of water through a prior service line, then such service line shall be installed at such place 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 and the charges for such water may be determined 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, and may also prescribe a schedule of hours covering use of water for commercial, agricultural or industrial purposes by particular members and require adherence thereto or prohibit the use of water for commercial, agricultural or industrial purposes; provided, that if at any time the total water supply shall be insufficient to meet all of the needs of all of the members for domestic, livestock, commercial, agricultural or industrial purposes, the corporation must first satisfy all of the reasonable needs of the members for domestic purposes before supplying any water for livestock purposes and must satisfy all of the needs of all of the members for domestic and livestock purposes before supplying any water for commercial or industrial purposes; and, provided further, that where a member has more than one service line, the corporation may cut off the flow of water to the nondomestic service lines until such time as the supply of water from the system is sufficient to meet the needs of all of the members for domestic, livestock, and garden purposes. During such periods of shutoff of additional service lines there shall be no minimum fee charged to the members having such additional service lines and the cost, if any, of resuming the flow of water to such additional service lines shall be borne by the corporation.

Section 6. The board of directors shall, with the consent of the Farmers Home Administration, 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 the 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. The failure to pay water charges duly imposed shall result in the automatic imposition of the following penalties.

- a. Nonpayment within ten days from the due date will be subject to a penalty of ten (10%) percent of the delinquent account, which percent may be charged at the discretion of the board of directors.
- b. Nonpayment within thirty days from the due date will result in the water being shut off from the member's property without any notice thereof to such delinquent member. Upon payment by the delinquent member of past due water charges, penalties thereon, any reconnection charge, such member shall be entitled to resumption of the water supply. During the time of such suspension of water to a member, such member shall have no right to vote in the affairs of the corporation.

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 XII

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 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 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 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 agreement or 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 water rates to be charged the members.

ARTICLE XIII

Amendments

These by-laws may be repealed 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 Farmers Home Administration, 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 requirements of bond or other provision for 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.

CERTIFICATION

We certify that the foregoing by-laws were duly adopted by the members on April 19, 1973, that the same are in full force and effect and have not been amended.

Given under our hands and the seal of the corporation, this
24th day of April, 1973.

Harve Taylor Jr.
President

Howard Gray, Jr.
Secretary-Treasurer