

**BYLAWS
OF
AUBURN WATER SYSTEM, INC.
AMENDED 9-21-2020**

ARTICLE I

General Purposes

The purposes for which the 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 AUBURN WATER SYSTEM, INC.

Section 2. The principal office of this Corporation shall be located at 3097 Locke Lane, Crestview, County of Okaloosa, State of Florida 32536.

ARTICLE III

Seal

Section 1. The seal of the Corporation shall have inscribed thereon, at a minimum, the name of the corporation and the year of its organization”

Section 2. The Corporation shall retain custody of the seal under the direction of the Secretary.

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

ARTICLE IV

Fiscal Year

The fiscal year of the corporation shall begin the first day of July in each year.

ARTICLE V

Membership

Section 1. Each person or entity that pays the non-refundable membership fee, makes a security deposit, and pays a monthly bill for a water service to Auburn Water System, Inc., shall be considered a member. For purposes of voting, there shall be one vote regardless of the number of service connections they may hold. Membership shall cease upon termination of account with Auburn Water System, Inc.,

except in the case where an individual or entity holds more than one service connection. In that case, membership shall continue as long as at least one connection is maintained as active.

- a. Where membership is granted to one or more persons who are not the record owners of the subject property, the Corporation, as a condition to the membership, may require such applicant to post such additional security deposit 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.
- b. Regardless of the number of owners for a single property, there shall be only one vote allowed per account. Legal action necessary against the account for non-payment shall be filed against each owner.

Section 2. Each service connection shall require a deposit. When more than one person holds the interest in a property served, the vote shall be exercised by the person in whose name the deposit for service was made.

Section 3. The termination of the membership of any member shall not disqualify any other person for membership who has or obtains an interest in the property of the terminated member and who otherwise meets the requirements of these Bylaws.

Section 4. 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, and subject to such duties and liabilities applicable to the membership. The trustee, receiver, executor, or the like, may terminate such membership by written notice to such affect 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.

Section 5. Upon the transfer of a service, the Corporation will not look at 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 has been duly perfected against such property.

Section 6. Should the assets of Auburn Water System, Inc. be sold or transferred, the assets must transfer to another not-for-profit entity. However, the preceding sentence shall not apply to the routine sale of surplus or unneeded assets. Any person who has served as an officer, employee or director of AWS within the preceding ten years shall not be eligible to receive any profits from the sale or transfer of the assets of AWS.

ARTICLE VI

Meetings of Members

Section 1. In lieu of an annual meeting of the members, elections of Directors to the Board shall be by general election as provided for in Article VII hereof.

Section 2. Special meetings of the membership may be called at any time by the Board of Directors. Such meetings may be called whenever a petition requesting such meeting is signed by at least ten percent of the members and presented to the secretary or the Board of Directors. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted except as specified in the notice.

Section 3. Notice of meetings of members of the Corporation, shall be sent 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. A minimum number of four (4) members must be present to constitute a quorum. Members of the Board of Directors, present at such membership meetings, shall qualify as a member for purposes of said quorum.

Section 5. Voting on any motion or resolution, or any other matter submitted to the membership, may be by mail. When such written vote is received by mail from any member, it shall be counted as a vote of the member at such meeting if received by the Corporation or its designee not later than ten (10) days prior to any meeting.

Section 6. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon unless otherwise provided by law, the Articles of Incorporation, or these Bylaws. In case a husband and wife, or joint tenants, with right of survivorship, own a membership, a written vote received from the owner or owners of this particular membership shall constitute one vote. No members shall be entitled to vote by proxy. The failure of any member to receive a copy of any such ballot shall not invalidate any action that may be taken at the meeting at which the ballot is to be voted.

ARTICLE VII
Directors and Officers

Section 1. The Board of Directors of this Corporation shall consist of seven (7) Directors, all of whom shall be members of the Corporation and who shall serve for terms of four (4) years. Terms shall be staggered such that seats one through four are up for election in 2021 and every fourth year thereafter and seats 5 through seven are up for election in 2022 and every fourth year thereafter. Each director shall hold office for the term for which he or she is elected and until his or her successor shall have been elected and qualified. Elections shall be held pursuant to sections two (2) through four (4) herein.

Section 2. To become and remain a Director, a person must comply with the following general qualifications:

- a. Be an individual;
- b. have the capacity to enter legally binding contracts;
- c. not have been previously removed or disqualified as a Director;
- d. During the five (5) years immediately before becoming a Director, not be convicted of, or plead guilty to a felony
- e. while a Director and during the one (1) year immediately before becoming a Director:

(A) be a Member in Good Standing of the Auburn Water System, Inc., and

(B) permanently reside at a residence actively connected to the Auburn Water System, Inc., and use water provided by the Auburn Water System, Inc., and

(C) not be an employee of the Auburn Water System, Inc. or the spouse of any such employee, or an employee, or a leased employee of an entity controlled by the Auburn Water System, Inc. or in which the Auburn Water System, Inc. owns a majority interest or the spouse of any such employee

(D) while a Director not receive or have an immediate family member that receives more than ten percent of annual gross income, other than insurance or Director compensation, or retirement income, directly or indirectly from the Auburn Water System, Inc., an Auburn Water System, Inc. Subsidiary, an Auburn Water System, Inc. Affiliate, or an employee of the Auburn Water System, Inc. or an Auburn Water System, Inc. subsidiary;

- Section 3.** Each person seeking the office of Director shall provide a statement of candidacy, together with a statement of financial interest on forms approved by the Board of Directors, along with a statement of their background and qualifications. The deadline for the submittal of said documents shall be 4pm on the last regular business day in February of each election year. At the March meeting of the Board of Directors in election years, the Directors shall, by majority vote adopt a slate of candidates for the annual election consisting of all persons who timely submitted the required documents and who otherwise met the qualifications to seek office.
- Section 4.** Sample Ballots together with the statement of background and qualifications provided by qualified candidates shall be mailed to members at least 20 days ahead of the Election day and may be included with a regular water bill. The election shall be held on the first contiguous Monday and Tuesday in May of each year (the "Election Period") unless because of circumstance, the Board of Directors shall find it necessary to direct another date in the month of May. Election Day shall be deemed to be the Tuesday of the Election Period. Voting may be conducted in person at the offices of Auburn Water System from 8am to 6pm during the Election Period. Members may request and shall thereafter be provided with an absentee ballot provided that such ballot shall be received by 6pm on Election Day.
- Section 5.** The Board of Directors shall adopt a method for the conduct of the elections and the counting of votes that is open, transparent and utilizes a neutral third party to ensure accountability. The Board of Directors shall review and ratify the results of the election at the June meeting of the Board of Directors and duly elected Directors shall take office effective on July 01st of the year of their election.
- Section 6.** The Board of Directors shall, at the July meeting of the Board of Directors, elect a president, vice-president, and secretary, from among themselves. Each director shall hold office until the Board shall elect a successor, and until the election and qualification of his successor, unless sooner removed by death, resignation or for cause. No Board member shall be eligible to serve in the capacity of President or Vice-President unless he or she shall have served as a member of the Board for a minimum of one year in the two-year period immediately preceding the nomination to serve as President or Vice-President.
- Section 7.** 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 quorum, shall, by a majority vote, choose a successor who shall hold office to fill the remainder of the unexpired term.
- Section 8.** 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 considered an act of the Board.
- Section 9.** The Board of Directors, as such, shall not receive any salary for their services; but by resolution of the Board of Directors, a fixed sum and expenses of participation, if any, may be allowed for participation at each regularly scheduled monthly meeting of the Board. If authorized by the Board, the Board Members may also be reimbursed for expenses actually and 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. No close relative (spouse, child,

mother or father) of a Board Member shall receive compensation for serving the Corporation, unless the payment and amount of compensation shall be specifically authorized by a vote of the board or unless the service by the Board Member or their close relative (spouse, child, mother or father) is certified by the board as an emergency measure.

Section 10. 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 will 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 who 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 be filled pursuant to Section Seven herein.. A vacancy in any office thus created shall be filled by the Board of Directors.

ARTICLE VIII

Powers and Responsibilities of the Board

Section 1. The Board of Directors, subject to restrictions of law, the Articles of Incorporation, and these Bylaws, 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 select and appoint all 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 Bylaws; fix their compensation and pay for faithful services.
- b. To borrow, money, goods or services from any source and to make and issue notes and other negotiable or non-negotiable 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.
- c. 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, the guidance and control of its officers and employees and to prescribe adequate penalties for the breach thereof.
- d. To order, at least once each year, an audit of the books and accounts of the Corporation by a certified public auditor or accountant. The report prepared by such auditor or accountant, together with the then current budget and any proposed budget for the following fiscal year shall be posted on the Corporation website and otherwise made available to the members of the Corporation upon request.
- e. To fix and alter the charges to be paid by each member for services rendered by the Corporation to the members, including connection fees where such are deemed to be necessary by the Board.
- f. To fix and alter the method of billing, time of payment, manner of connections, and penalties for late or nonpayment of the same.
- g. The Board may establish one or more classes of users, and all charges shall be uniform and non-discriminating within each class of users.

- h. 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. This requirement shall be mandatory.
- i. To select one or more banks to act as depositories of the Corporation; to determine the manner of receiving, depositing, and disbursing the funds of the Corporation, and to determine 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.
- j. 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. Upon payment of such assessments, any penalties applicable thereto, plus a reconnection charge, service will be promptly restored to such a member.

ARTICLE IX

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 such other papers of the Corporation as deemed necessary or as directed to sign by the Board of Directors, including the authority to execute all resolutions of the Board of Directors which have been duly adopted by the Board. 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 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 a successor.

Section 3. Duties of the Secretary.

The Secretary shall cause to be kept 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. The secretary shall attest the President's signature on all Corporation documents so requiring such, unless otherwise directed by the Board of Directors. The Secretary shall cause to serve, mail, or deliver all notices, required by law and by these Bylaws, and shall make a full report of all matters and business pertaining to the office to the members at the annual meeting or at such other time or times as the Board of Directors may require. The Secretary shall cause to have affixed said corporate seal to all papers requiring such. The Secretary shall assure all reports required by law are completed and shall perform such other duties as may be required by the Corporation or the Board of Directors. Upon the election of a successor, the Secretary shall turn over to the successor all books and other property belonging to the Corporation that the Secretary may have in their possession.

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. From these points, designated as delivery points,

meters 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. This cutoff valve will be owned and maintained by the Corporation and will be installed on some portion of the service line owned by the Corporation. The Corporation shall have the sole and exclusive right of 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, and/or unnecessary to protect the system and the rights of the membership, and/or economically unfeasible. The tap fee paid by a member is for the tap in to the main line and does not include the meter box or any equipment contained therein, which remains the property of Auburn Water System, Inc. Auburn Water System, Inc. is not responsible for the cost of upgrading existing lines to serve a new development project if the existing transmission line is not large enough to provide adequate flow and/or fire protection. It shall be the responsibility of the developer to install the water lines, valves, hydrants, etc. within their development after their plans have been approved by Auburn Water System, Inc. and appropriate fees paid. Further, it shall be the responsibility of the developer to pay all costs associated with connection from their development to Auburn Water System, Inc. main lines. Auburn Water System, Inc. may agree, via vote from the Board, to pay increased cost of upgrading a line over and above what is to be required from the developer of the proposed project, if upsizing the line is in the best interest of Auburn Water System, Inc.

Section 2. Each member will be required, at his own expense, to provide for the connection of the service line or lines from the meter to his dwelling or other portion of his premises. Additionally, the member shall have the responsibility 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 of lines, which shall be owned by the member, at their own expense.

Section 3. Each member may be permitted to have additional service lines from the Corporation's water system at the discretion of the Board of Directors, upon proper application therefore and the tender of payment not to exceed the then existing connection charge. Each service line shall incur a separate tap-in and capacity replacement fee. 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, providing the system has sufficient capacity to permit the delivery of water through a service line to that point without interfering with 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 for domestic, commercial, agriculture, industrial or other purposes as a member may desire, subject, however, to the provision of these Bylaws and to such rules and regulations as may be prescribed by the Board of Directors, of which the most recent version is attached hereto. Each member shall be entitled to have delivered to them through their service lines only such water as may be necessary to supply the needs of each member including their 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. The Board may also prescribe a schedule of hours covering use of water for commercial, agricultural or industrial

purposes by particular members. The Board shall require adherence thereto or prohibit the use of water for commercial, agricultural or industrial purposes. 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 should first satisfy all of the reasonable needs of the members for domestic purposes before supplying any water for livestock purposes. The needs of the members for domestic purposes shall be met before supplying any water for commercial or industrial purposes. Where a member has more than one service line, the Corporation may cut off the flow of water to the non- domestic 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, 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 is to be payable irrespective of whether any water is used by a member during the month, The amount of additional charges, for water used in excess of the minimum amount, and the amount of any penalty for late payments, shall be charged to the member in the normal monthly billing cycle. 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 penalties that shall be established by the Board of Directors up to and including the termination of the member's interest and removal of the water meter.

Section 7. The Board of Directors shall be authorized to require each member to enter into the water users agreement, which shall embody the principles set forth in the foregoing provisions of these Bylaws.

Section 8. Should a member request a refund prior to the meter being installed, or if Auburn Water System, Inc is unable to provide service (for which Auburn Water System, Inc. will issue a refund) and the member decides at some later date to re-apply for service, the tap fee will be the fees current at that point in time.

ARTICLE XI

Surplus Funds

Section 1. Any funds which are collected and which are in excess of actual expenses of the Corporation, shall be retained for capital improvement and general operations reserve.

ARTICLE XII

Amendments

These Bylaws may be repealed or amended by a vote of a majority of the Directors present at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for that purpose, except that so long as any indebtedness is held by or guaranteed by Rural Development, USDA, the members and Board of Directors shall not have the power to change the purpose 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 or 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 Rural Development, USDA, in writing.

Copies of the Auburn Water System, Inc. Bylaws shall be made available on the Corporation's website. Printed copies will be made available to new members upon request.

Amended 9-21-2020

