

CODE OF REGULATIONS

OF

DEL-CO WATER COMPANY, INC.
(as of June, 2006)

ARTICLE I

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 who has a substantial possessory interest in a property served by the corporation's water system, becomes a member of the corporation in one of the following ways:

- (A) If the property is not connected to the corporation's water system, but connection is desired, the person shall sign such applications and agreements for the purchase of water as may be required by the corporation and shall pay such membership fee and other fees as may be established by the board of directors.
- (B) If the property is already connected to the corporation's water system, the person becomes a member by accepting, using, and paying for water delivered through the water system to the property. In such case, the corporation shall establish procedures for collecting any membership fee and other fees that may be established by the board of directors and for applications and agreements for the purchase of water.

(C) If the property is already connected to a public or private water system and such system is acquired by the corporation, the provisions for membership fees, and other fees, applications and agreements for purchase of water, if any, shall be as established by the board of directors.

The corporation shall issue only one membership with respect to any one property. The corporation shall not deny membership to any person or service to any property because of race, color, creed, religion, or national origin. However, the corporation may deny membership or service to a property on the basis of capacity limitations in the water system or if the applicant's proposed use will unduly interfere with existing needs or uses. A "substantial possessory interest," as used herein, is one where the person, such as a tenant or lessee, has a legal right to control and occupy the property but does not have legal or equitable ownership of the property. Where a person with a substantial possessory interest and a person who is the record owner of a fee or undivided fee interest to the property both apply for membership or service to the property in their name, preference will be given to the record owner. Where more than one person is the record owner of a fee interest or an undivided fee interest and more than one of such record owners applies for membership or for service to the property, the corporation shall determine who shall be the member or in whose name service to the property shall be placed. The board of directors may adopt policies and procedures by which

employees of the corporation make the determinations provided for by this Section 1.

Section 2. The board of directors shall determine the kind and character of membership certificates, if any, to be issued, and shall adopt policies and procedures pertaining to the establishing and maintaining of the corporation's records of members and of properties serviced by the corporation's water system.

Section 3. Membership and accounts shall be transferable but the transfer shall be valid and effective only when recorded in the records of the corporation and only when made to a qualified person. Membership or service to a particular property may be terminated by the corporation where the use of the property is changed so as to materially increase the amount of water consumed to the detriment of other customers or to the detriment of the operation of the system.

Section 4. In the event a member's property interest is divested other than by voluntary means, such member's membership will transfer to the trustee, receiver, executor, or other legal representative, who shall be entitled to exercise all of the rights incident to such membership, provided such transferee agrees to be subject to the duties and liabilities which attach upon such transfer. Such transferee may terminate its status with the corporation by written notice delivered or mailed to the secretary of the corporation.

Section 5. A membership or a service account for a property shall not be transferred until all indebtedness to the

corporation of the member or account and all fees for the transfer have been paid in full and all required applications and agreements have been received by the corporation.

ARTICLE II

MEETING OF MEMBERS

Section 1. The annual meeting of the members of the corporation shall be held in the County of Delaware, State of Ohio, on the third Thursday in June of each year at such time and place as is designated by the board of directors in the notice of the meeting. If, for any reason, the annual meeting cannot be held on said date, it shall be held as soon thereafter as possible.

Section 2. Special meetings of the members may be called by the president or, in the case of the president's absence, death, or disability, the vice-president; by the board of directors by action at a meeting or a majority of directors acting without a meeting; or whenever a petition requesting such meeting is signed by at least ten percent (10%) 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 at the special meeting 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 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 sixty (60) days prior to such meeting. Such a notice shall state the nature, time, place, and, in the case of a special meeting, the purpose of the meeting. But no failure or irregularity of notice of any annual meeting, regularly held, shall affect any proceedings taken thereat. The notice will be deemed to be delivered when deposited in the United States mail, with postage prepaid, addressed to the member at the member's address on the records of the corporation.

Section 4. Ten (10) voting members present shall constitute a quorum. For purposes of determining a quorum and voting, although a member may have multiple properties and accounts, such a member shall be counted as a single member. No voting by proxy shall be permitted. Except as these regulations may specifically permit otherwise, members must cast their vote in person. For purposes of this Section 4, a voting member shall be determined based upon the records of the corporation sixty (60) days prior to such meeting.

Section 5. The order of business at the regular meetings and, so far as possible, at special meetings shall be:

- (a) Call to order
- (b) Proof of notice of meeting
- (c) Reading and action on any unapproved minutes
- (d) Reports of officers and committees
- (e) Election of directors
- (f) Unfinished business
- (g) New business
- (h) Adjournment

ARTICLE III

DIRECTORS AND OFFICERS

Section 1. The board of directors of this corporation shall consist of ten (10) directors, all of whom shall be members of the corporation who are natural persons and subject to the residency qualifications set forth below:

- (a) Nine (9) of the directors shall be residents of Delaware County, Ohio, and one (1) of the directors shall be a resident of Morrow County, Ohio; and
- (b) No more than two (2) of the Delaware County directors shall be residents of the same township within Delaware County. For purposes of this provision, persons residing within a municipality shall be considered residents of the township within which the municipality is or was geographically located, whether or not such persons would be considered residents of the township for other purposes.

Section 2. At each annual meeting, the members shall elect for a term of three (3) years the number of elected directors whose terms of office have expired. A nominee whose election would result in a violation of the Article III, Section 1 residency qualifications is disqualified from standing for election. For example, a nominee who resides in a township within which two (2) members of the board of directors not standing for reelection also reside is disqualified. Only ballots casting

votes for candidates equal in number to the number of directors to be elected shall be counted; ballots containing votes for fewer or greater than the number of directors the ballot indicates are to be elected shall not be counted. The qualified nominees receiving the highest number of votes will be elected to the seats to be filled. Each director shall hold office for the term for which elected and until his or her successor shall have been duly elected and qualified.

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 a majority vote and subject to the residency qualifications set forth in Article III, Section 1 above, choose a successor, who shall hold office for the unexpired term of said director.

Section 4. Meetings of the board of directors will be held at an office of the corporation or at such other place as the board of directors designates. Regular meetings of the board shall take place at such times and dates set forth in an annual directors' meetings schedule adopted by the board of directors at its first meeting, regular or special, following the annual meeting of the members, as the same may be amended from time to time (the "directors' meeting schedule"). The directors' meeting schedule constitutes notice to all directors of all regular meetings on the directors' meeting schedule and no further notice shall be required, although further notice may be given. Written

or printed notice stating the time, date and purpose of any special meeting of the board of directors will be delivered to each director not less than three (3) nor more than fourteen (14) days before the date of the special meeting. Such notices shall be delivered personally, by first class U.S. mail, by a nationally recognized courier service, or electronically or by facsimile if a confirmation of receipt is provided. If mailed or delivered by courier, the notice will be deemed to be delivered when deposited in the mail by registered or certified mail or when deposited with the courier addressed to the director at the director's address as it appears on the records of the corporation with postage or delivery fees prepaid. If sent electronically or by facsimile, the notice will be deemed delivered at the time and date set forth in the confirmation of receipt.

Section 5. A majority of the board of directors shall constitute a quorum at any meeting of the board. Except as otherwise provided by law or in these regulations, 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 of directors.

Section 6. The board of directors shall meet within ten (10) days after the annual election of directors and shall elect a president, vice-president, and a secretary-treasurer from among themselves. Each of the officers shall hold office until the next annual election meeting of directors and until the election and qualification of his or her successor, unless removed sooner by death, resignation, or for cause. The board of directors shall fix the compensation of officers.

Section 7. 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 such charges in writing with the secretary-treasurer of the corporation. However, if the charge(s) are directed against the secretary-treasurer, the charge(s) shall be delivered to the president. If presented by a member, the charges must be accompanied by a petition signed by not less than ten percent (10%) of the members of the corporation. Such charges shall be heard at the next annual or special meeting of the members.

The director or officer against whom such charges have been presented shall be informed in writing of such charges at least twenty (20) 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. The person or persons bringing the charges, who shall have the burden of proof and who shall first present witnesses and evidence to support the charges, may be heard in person or by counsel. The president of the corporation, or an attorney at law designated by the president, shall preside over the hearing, unless the president is a person against whom the charges have been brought, in which case the vice president, or an attorney at law designated by the vice president shall preside. If at the conclusion of the hearing the removal of a director is approved by a majority vote of the members present and voting, such removal is effective immediately and such action shall also constitute removal from office of any office held by the removed director. A vacancy in the board of directors

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 at the next board of directors' meeting, regular or special, by the directors from among their number so constituted after the vacancy in the board has been filled.

Upon the motion of any director, a director may also be removed from office by an affirmative vote of not less than six (6) members of the board of directors for failing to attend three (3) consecutive regularly scheduled meetings. A vacancy in the board thus created shall be filled in accordance with Article III, Section 3 hereof.

ARTICLE IV

DUTIES OF DIRECTORS

Section 1. The board of directors, subject to restrictions of law, the articles of incorporation, and these regulations, shall exercise all the powers of the corporation and, without prejudice to or limitation upon these general powers, shall have full power and authority with respect to the following:

- (a) To approve membership applications. The board may make binding commitments to grant membership and to permit the connection of properties to the water system in the future in cases involving proposed construction.
- (b) To elect all officers and select and appoint all agents or employees of the corporation; remove such officers, agents, or employees of the corporation; prescribe such duties and designate such powers for such officers, agents, or employees as may not be inconsistent with these regulations; and fix their compensation.
- (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 other instruments evidencing security interests 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 reports 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 or other person for services rendered by the corporation to the member or other person, including, but not limited to, 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 or customers. All charges shall be uniform and

nondiscriminating within each class of user or customer.

- (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, the form of check or other transaction, and person or persons by whom the same shall be signed or otherwise authorized, with the power to change such banks and such person or persons at will.
- (i) To levy assessments against the members of the corporation in such a 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 or customer who has not paid such assessments within thirty (30) days from the date the assessment is due, provided the corporation shall give the member at least fifteen (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 and any penalties applicable thereto are not paid. Upon payment of such assessments and any penalties applicable thereto, and a reconnection charge, if one is in effect, service will be promptly restored.

Section 2. The directors shall be entitled to receive such compensation as is approved from time to time by the corporation's members.

ARTICLE V

DUTIES OF OFFICERS

Section 1 - Duties of 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 papers of the corporation as he or she 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 Vice-President. In the absence, death, 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 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. The secretary-treasurer shall attest the president's signature as needed on papers pertaining to the corporation unless otherwise directed by the board of directors. The secretary-treasurer shall serve, mail, or deliver all notices required by law and by these regulations, 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 time or times as the board of directors may require. He or she shall keep a membership record showing the name of each member of the corporation and any dates pertinent to such membership. He or she shall make all reports required by law, and shall perform such other duties as may be required by the articles of incorporation, these regulations or the board of directors. Upon the election of a successor, the secretary-treasurer shall turn over all books and other property belonging to the corporation that he or she may have in his or her possession or control. The secretary-treasurer shall also perform such duties with respect to the finances of the corporation as may be prescribed by the board of directors or applicable law. Except where a resolution or a policy or procedure adopted by the board of directors or applicable law provides otherwise, any of the duties imposed upon the secretary-treasurer by this Section 3 or

applicable law may be delegated by him or her to an employee or agent of the corporation; provided, however, that the secretary-treasurer shall be responsible for the full and faithful performance of all duties imposed upon the secretary-treasurer by this Section 3 and applicable law.

ARTICLE VI

BENEFITS AND DUTIES OF MEMBERS AND CUSTOMERS

Section 1. The corporation will install, maintain, and operate a water distribution system, including main lines, hydrants, pumping stations, towers, service lines, sources of supply and treatment. The cost of the service line to within ten (10) feet of the property line of each customer's property, as finally determined by the plans and specifications and corporate engineer, shall be paid by the corporation. The corporation may also purchase and install a cutoff valve and meter in each service line from its main distribution line or lines, such cutoff valve and meter to be owned and maintained by the corporation. The corporation shall have the sole and exclusive right to the 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 use that the use of either or both of such devices is impractical, unnecessary to protect the system and the user, and/or economically unfeasible.

Section 2. Each customer will be required, at his own expense, to dig a ditch for the connection of the service line or

lines to the dwelling or other portions of the premises, and to purchase and have installed the portion of the service line or lines from the customer's premises. The customer will maintain such portion of such service line or lines, which shall be owned by the customer, at the customer's 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 customer. In addition, each customer shall pay such connection charge, if any, as may have been imposed by the board of directors before such customer will be entitled to receive water from the system.

Section 3. Each customer 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 therefor 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 customer may be made conditional upon such provisions as the board of directors determines necessary to protect the interests of the other users of the corporation's water system 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 such customer 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 and customer 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, agricultural, industrial, or other purposes, as a member may desire; subject, however, to the provisions of these regulations and to such rules and regulations as may be prescribed by the board of directors. Each customer shall be entitled to have delivered to him through his service lines only such water as may be necessary to supply the needs of such customer, including 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 such customer.

Section 5. In the event the total water supply shall be insufficient to meet all of the needs of the customer, or in the event there is a shortage of water, the corporation may prorate the water available among its various customers on such basis as is deemed equitable by the board of directors, 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 customers for domestic, livestock, commercial, agricultural, or industrial purposes, the corporation must first satisfy all of the reasonable needs of the customers for domestic purposes before supplying any water for livestock purposes, and supply all of the needs of all of the customers for domestic and livestock purposes before supplying any water for commercial or industrial purposes; and, provided further, that where a customer has more than one service line at a premises or property, 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 customers for domestic, livestock, and garden purposes. During such periods of shutoff of additional service lines, there shall be no minimum fee charged to the customers 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 be authorized to require each customer to complete an application and to enter into a water user's agreement, which shall embody the principles set forth in these regulations.

ARTICLE VII

USE OF SURPLUS FUNDS

Section 1. 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 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 be used for the improvement and/or extension of the corporation 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 contractual arrangements. The occurrence in subsequent fiscal years of surplus fund 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.

ARTICLE VIII

OPERATIONS

Section 1. The corporation's fiscal year shall begin May 1 of each year.

Section 2. A member of the corporation, or the member's agent or attorney (for the purposes of this Article VIII, Section 2 "member" shall include a member's agent or attorney) may inspect the books and records of the corporation at any reasonable time for a reasonable and proper purpose. The member shall submit a written request to inspect that identifies with reasonable particularity the corporation's books and records the member wishes to inspect. The general manager of the corporation shall have a reasonable time to review and respond to a member's request to inspect records. The general manager may deny inspection if the general manager determines that the request is not for a proper purpose, that the member is not acting in good faith, that the member intends to use the information in the records to the corporation's detriment, that the request is unreasonably burdensome, or that the member's request will expose the corporation to liability for violating a common law or statutory right of privacy or privilege.

Except in response to a lawful subpoena or other order of a court of competent jurisdiction or administrative agency, the corporation shall not disclose information in the corporation's books or records that relates to: (a) proprietary information of a customer, other than water usage information released to a political subdivision for the purpose of billing of sanitary sewer charges or pursuant to the customer's authorization, (b) potential or actual claims by a customer against the corporation, or (c) trade secret, proprietary, or technical information concerning the corporation's operations.

The board of directors shall be responsible for establishing a schedule of fees for the inspection and copying of the corporation's books and records.

Notwithstanding this Article VIII, Section 2, any requesting member shall be provided, without fee, a copy of the corporation's audited financial statements.

ARTICLE IX

INDEMNIFICATION

Section 1.

Each officer, director, agent, employee or volunteer of this corporation, and any officer, director, agent, employee or volunteer of any other corporation serving as such at the request of this corporation shall be indemnified by this corporation under the standards set by, and to the fullest extent allowable under, Section 1702.12(E), Ohio Revised Code, as the same may be amended from time to time.

The foregoing right of indemnification shall be in addition to any other rights to which any person seeking indemnification may be or become entitled by law, vote of members or disinterested directors of this corporation, or otherwise.

ARTICLE X

AMENDMENTS

Section 1. These regulations may be repealed or amended by a vote of a majority of the members present at any annual 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 United States Department of Agriculture, Rural Development, or the successor agency or entity thereto, 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 of Ohio, 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 these regulations as to affect a fundamental change in the policies of the corporation without the prior approval of the United States Department of Agriculture, Rural Development, or the successor agency or entity thereto, in writing.

ARTICLE XI

SPECIAL VOTING REQUIREMENTS

Section 1. Notwithstanding any other provisions of these regulations or the articles of incorporation, as now existing or as hereafter amended, and notwithstanding the fact that a lesser percentage vote may be required or permitted by law, the special voting requirements set forth in this article shall apply to any lease, sale, exchange, transfer, or other disposition of all or substantially all of the corporation's assets; to any merger or consolidation of the corporation with or into any other corporation; to any voluntary dissolution or liquidation of the corporation; and to any plan, agreement, or arrangement whose implementation would result in the transfer of ownership or

control of the corporation to another corporation or to its members or shareholders.

Section 2. Any transaction specified in Section 1 shall require the affirmative vote of not less than two-thirds of the entire board of directors and the affirmative vote of not less than eighty percent of all of the corporation's members existing on the date prior to the date of mailing of the notice of the meeting called to consider any such transaction.

Section 3. Any transaction specified in Section 1 shall be considered only at special meetings of the board of directors and of members called for such purpose.

Section 4. For purposes of this Article XI only, balloting by mail shall be permitted.

Section 5. The affirmative vote of not less than eighty percent of all of the corporation's members existing on the date prior to the date of mailing of the notice of the meeting called to consider the matter shall be required to repeal, amend, supplement, or otherwise modify this Article XI.

ARTICLE XII

EMERGENCY REGULATIONS

Section 1. In the event of an emergency, as defined in Ohio Revised Code Section 1701.01(U), the board of directors may hold and conduct meetings as provided at the time in Ohio Revised Code Section 1701.11(F), as amended. Any action so taken shall be the action of the corporation. The provisions of that subsection with regard to executive and other officers shall also apply. The

directors operating during an emergency shall have authority to adopt such bylaws as they deem best for the conduct of their meetings.

ARTICLE XIII

STATUTORY PROVISIONS

Section 1. Unless the articles of incorporation or these regulations provide otherwise, either expressly or by clearly inconsistent provisions in the articles of incorporation or these regulations, the members, the board of directors, the officers and the corporation, as the case may be, shall have such powers and authorities, and may follow such procedures provided for not-for-profit corporations by Ohio Revised Code Chapter 1702, as the same may be amended from time to time.