

**BYLAWS**  
**OF THE**  
**COTTONWOOD MUTUAL WATER COMPANY**  
**AMENDED AND RESTATED AS OF**  
**MAY FEBRUARY 2, 2023~~18~~ MARCH 2024**

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**BYLAWS**  
**OF THE**  
**COTTONWOOD MUTUAL WATER COMPANY**

Amended and restated as of August \_\_, 2013

These Bylaws (these “Bylaws”) are adopted for the governance of the Cottonwood Mutual Water Company, a Utah nonprofit corporation (the “Company”). Any matters not addressed in these Bylaws shall be governed in accordance with the Articles of Incorporation of the Company (the “Articles”), the provisions of the Utah Nonprofit Corporation Act, Title 16, Chapter 6a of the Utah Code (the “Act”), or the provisions of the Shareholder Assessment Act, Title 16, Chapter 4 of the Utah Code (the “Shareholder Assessment Act”). In the case of a conflict between these Bylaws and the Articles, the Articles shall govern.

**ARTICLE 1**  
**MEMBER MEETINGS**

**SECTION 1.1. Annual Meeting.** The annual meeting of the members of the Company shall be held on such date, and at such time and place, as shall be established by the Board of Directors of the Company (the “Board”) as provided in the Articles. The meeting shall be held for the election of directors, and for the conduct of such other business as shall be brought before the meeting.

**SECTION 1.2. Special Meetings.** Special meetings of the members shall be held if called (i) by the Board, (ii) by the owners of at least 10% of the issued and outstanding shares of the Company entitled to vote at such meeting, or (iii) as otherwise permitted by the Act, for the conduct of such business as shall be specified in the notice and, to the extent not prohibited by law, such other business as shall come before the shareholders at such meeting.

**SECTION 1.3. Notice of Meetings.** Notice of the annual and each special meeting of the members shall be given to each shareholder entitled to vote at such meeting, by hand delivery, by first-class or registered mail, by other mail or delivery service, by publication, or by any other method not prohibited by law. The notice shall state the place, day, time, and purpose or purposes for which the meeting is called; provided that other business not specified in the notice may be brought before the meeting and acted upon, to the extent not prohibited by law. Notice shall be given:

- 1.3.1. If hand delivered or mailed by first-class or registered mail, not less than fourteen (14) nor more than thirty (30) days before the date of the meeting;
- 1.3.2. If by publication, as provided by statute;
- 1.3.3. If by any other means, such period of time prior to the meeting as is fair and reasonable when all the circumstances are considered; and

- 1.3.4. In the case of special meetings called because of emergency, the above-specified time periods may be waived as long as notice is fair and reasonable when all the circumstances are considered.
- 1.3.5. If mailed, notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at the member's address as it appears on the records of the Company, with postage prepaid.
- 1.3.6. Failure to comply with the time periods specified or other requirements for notice shall not invalidate action taken at a meeting, as long as shareholders representing a majority of the shares are either represented at the meeting in person or by proxy, or have waived proper notice as provided below or in the Act.

**SECTION 1.4. Waiver of Notice.** Whenever any notice is required to be given, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a member at any meeting shall constitute waiver of notice of such meeting except where such member attends a meeting for the express purpose of objecting to the transacting of any business at that meeting because the meeting is not lawfully called or convened, and where said purpose is duly announced on the record of the meeting.

**SECTION 1.5. Record Date.** The members entitled to receive notice of any member meeting shall be those members registered as such on the books and records of the Company at the close of business on the business day next preceding the date on which notices are given. The members entitled to vote at any member meeting shall be those members registered as such on the books and records of the Company at the close of business on the business day next preceding the day of the meeting. The Secretary shall prepare a list of all members entitled to vote at any regular or special meeting of the members, and shall make such list available to the Directors and all members at such meetings.

**SECTION 1.6. Meetings by Telecommunication.** Members may participate in any annual or special meeting of the members by any means of communication so long as all individuals participating in the meeting can hear one another. A member participating in a meeting by such means is considered to be present in person at the meeting.

**SECTION 1.7. Voting.** At all member meetings, members may vote directly, by proxy, or by written ballot as provided in Section 16-6a-709 of the Act. All questions presented at a member meeting, or outside of a meeting as provided in Section 1.8, except as may be otherwise provided in the Articles of Incorporation, these Bylaws, or the laws of the State of Utah, shall be determined by vote of the shareholders as follows:

- 1.7.1. Each shareholder whose assessments are current shall be entitled to vote on the basis of share ownership. Each share shall entitle a shareholder to one vote.
- 1.7.2. Voting may be either in person or by written proxy signed by the person owning the shares, or a duly authorized representative thereof, and filed with the Secretary at or prior to the meeting or action.

- 1.7.3. Every question or election submitted to a vote of the shareholders, except as may be otherwise provided in the Articles, these Bylaws, or the laws of the State of Utah, shall be decided by the vote of the shareholders holding a majority of the shares counted toward the establishment of a quorum. The usual method of voting shall be by voice; provided, however, that if a voice vote is not, in the judgment of the President, determinative, the vote shall be taken by show of hands, or by roll call; and provided further that, upon the demand of any shareholder, the vote shall be made by ballot.
- 1.7.4. The rules listed below shall govern the right to vote. If a situation is not governed by the following rules, the right to vote any affected shares shall be determined by the Board:
- 1.7.4.1. When the record owner shows a lender “as pledgee of” a shareholder’s shares, or similar designation, the shareholder shall be entitled to vote unless by written agreement the shareholder and lender have agreed otherwise and a copy of the written agreement is provided to the Secretary.
  - 1.7.4.2. When the record owner is a husband and wife, either in joint tenancy or as tenants in common, the share(s) may be voted by either the husband or the wife.
  - 1.7.4.3. Any shares owned in joint tenancy may be voted, or a proxy given, by any or all of the joint tenants. If any joint tenant gives a proxy and then dies, the proxy shall lapse when the Secretary receives notice of the death of that person. When the record owner of shares is listed in joint tenancy and evidence is furnished showing that all of the joint tenants are deceased except one, only that surviving joint tenant shall be entitled to cast the vote. Regardless of ownership arrangement, each share shall be entitled to only one vote on any given issue and no fractional votes maybe cast.
  - 1.7.4.4. When the record owner was an individual, but is deceased, the personal representative of the estate of the deceased person shall be entitled to vote the shares, until the share(s) are transferred on the books and records of the Company.
  - 1.7.4.5. Shares in the name of a corporation or other legal entity shall be voted by the properly authorized representative of the legal entity.
  - 1.7.4.6. Shares held by a personal representative, administrator, executor, guardian, or conservator may be voted either in person or by proxy without a transfer of such shares into his or her name. Shares held in the name of a trustee may be voted by the trustee either in person or by proxy, but no trustee shall be entitled to vote shares held by the trustee without a transfer of such shares into that trustee’s name.

1.7.4.7. Shares held in the name of a receiver may be voted by that receiver, and shares held by or under the control of a receiver may be voted by that receiver without the transfer thereof into the receiver's name if authority so to do be contained in an appropriate Order of the Court by which that receiver was appointed.

1.7.4.8. Written proxies more than ~~eleven (11) months~~thirty (30) days old will not be honored unless the proxy specifically states that it is to remain in effect for a longer period.

~~1.7.4.8.~~1.7.4.9. A proxy voter may not gather or obtain more than eight (8) shares worth of votes from other shareholders. The proxy voter must be present at the meeting to apply their votes.

~~1.7.4.9.~~1.7.4.10. Membership shares in the Company belonging to the Company or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

**SECTION 1.8. Action Without Meeting, or by Written Ballot.** Action may be taken by members without a meeting, or by written ballot, in the manner prescribed by Sections 16-6a-707 and 16-6a-709, respectively, of the Act, or successor provisions.

## ARTICLE 2

### BOARD OF DIRECTORS

**SECTION 2.1. Election of Directors.** Directors shall be elected at annual or special meetings of the members, as provided in the Articles. Prior to the annual or special meeting at which one or more Directors are to be elected, the Board shall identify all districts within the service area of the Company entitled to be represented on the Board. The notice of such member meeting shall include a map identifying such districts, the Directors whose terms are expiring, any new districts entitled to elect a new Director, and the need for electing a Director at large, if required by the Articles. Members of each voting group (as defined in Article XII of the Articles) may nominate persons to fill any vacant position. There shall be no limit on the number of nominations. The sole qualification for nomination is that the nominee be a member of the Company or, in the case of members that are corporations or other legal entities, the properly authorized representative of the legal entity. Nominations may be submitted in writing or by electronic means, and must be submitted not later than thirty (30) calendar days prior to the annual meeting. The nominee receiving the highest number of votes is elected to the Board.

**SECTION 2.2. Removal.** Any Director may be removed for any reason or no reason by a majority of the members, or for cause by a majority vote of the other Directors. The term "cause" shall mean (a) the conviction of a person of (or the pleading of *nolo contendere* to) a felony under the laws of the United States or any State thereof or any similar conviction under the laws of a foreign country, (b) the commission of an act of fraud, embezzlement, sexual harassment, dishonesty, theft or gross negligence which results in a material loss, damage or injury to the Company, (c) the commission



of an act of moral turpitude that is materially injurious to the reputation of the Company, (d) failure to attend meetings of the Board, or (e) failure or inability to perform the duties of Director.

**SECTION 2.3. Resignation.** Any Director may resign at any time by giving written notice to the President or Secretary of the Company. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**SECTION 2.4. Vacancies.** A vacancy caused by the resignation, removal, or death of a Director shall be filled by appointment approved by a majority vote of the remaining Directors at a duly called Board meeting. The Director so elected shall hold office until the end of the term of the Director whose resignation, removal or death gave rise to the vacancy, and until the replacement Director's successor is duly elected.

**SECTION 2.5. Standards of Conduct.** A Director (or an officer) shall discharge his or her duties as Director (or officer):

2.5.1. In good faith;

2.5.2. With the care and ordinarily prudent individual in a like position would exercise under similar circumstances; and

2.5.3. In a manner the Director (or officer) reasonably believes to be in the best interests of the Company.

**SECTION 2.6. Powers & Duties of Directors.** The Board shall have the control and general management of the affairs and business of the Company. The Directors shall in all cases act as a regularly convened Board and may adopt such rules and regulations for the conduct of meetings and the management of the Company as may be deemed proper, so long as they are not inconsistent with these Bylaws, the Articles, and the laws of the State of Utah.

**SECTION 2.7. Regular Board Meetings.** Regular meetings of the Board shall be held on such date, and at such time and place, as the Board shall annually determine by resolution. Such resolution shall designate the annual shareholder meeting as a regular meeting of the Board, and the Board may, at such annual meeting, elect officers or conduct other business, or may adjourn such meeting to a later time or date.

**SECTION 2.8. Special Board Meetings.** Special meetings of the Board may be called by the President or by the written request of any two Directors given to the President. The President shall fix a time and place for the meeting that is reasonable under the circumstances.

**SECTION 2.9. Notice of Board Meetings.** Regular meetings of the Board consistent with the Board's annual regular meeting schedule resolution may be held without notice of the date, time, place, or purpose of the meeting, other than the resolution itself. Notice of changes in the date, time or place of such regular meetings, and notice of special meetings, shall be given to each Director, at the address provided by the Director to the Secretary, at least ten (10) days prior to the meeting by the mailing of written notice by first class, certified or registered mail, or at least five (5) business days prior thereto by personal delivery of written notice or by telephonic, electronic or facsimile notice;

provided, however, that in the event of an emergency, shorter notice may be given for special meetings as long as such shorter notice is the best notice practicable under the circumstances. The method of notice need not be the same as to each Director. If mailed, such notice shall be deemed to be given when deposited in the United States mail, with postage thereon prepaid. If transmitted electronically or by facsimile, such notice shall be deemed to be given when the transmission is completed.

**SECTION 2.10. Waiver of Notice.** Whenever any notice is required to be given, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a Director at any meeting shall constitute waiver of notice of such meeting except where such Director attends a meeting for the express purpose of objecting to the transacting of any business at that meeting because the meeting is not lawfully called or convened.

**SECTION 2.11. Quorum.** A majority of the Directors shall constitute a quorum of the Board for the transaction of business. An absent Director may not be considered present by virtue of a proxy issued to another Director. If less than a quorum is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice other than an announcement at the meeting, until a quorum shall be present.

**SECTION 2.12. Meetings by Telecommunications.** Members of the Board or any committee thereof may participate in a meeting of the Board or committee by any means of telecommunications so long as all individuals participating in the meeting can hear one another. Such participation shall constitute presence in person at the meeting.

**SECTION 2.13. Member Attendance.** Any member may attend a regular or special meeting of the Board or any committee thereof.

**SECTION 2.14. Voting.** A majority vote of those Directors present and constituting a quorum shall be required to approve any Board action.

**SECTION 2.15. Action Without a Meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if each and every member of the Board in writing either (a) votes for the action or (b) waives the right to demand that action not be taken without a meeting, and (i) votes against the action or (ii) abstains from voting. Action is taken under this Section only if the affirmative vote for the action equals or exceeds the minimum number of votes that would be necessary to take the action at a meeting at which all of the Directors then in office were present and voted. An action taken pursuant to this Section will not be effective unless the Company receives writings describing the action taken, satisfying the above requirements, signed by all of the Directors, and not revoked by any Director.

**SECTION 2.16. Compensation.** The Directors, as such, shall not receive any salary for their services, but by resolution of the Board each Director may be compensated for attendance at any regular or special meeting of the Board, of any committee of the Board, or for special services, or for expenses.

**SECTION 2.17. Limitation on Directors.** Unless otherwise prescribed by law, the Articles, these Bylaws, or action of the Board, individual Directors shall not direct or supervise the activities of officers or employees of the Company.

**SECTION 2.18. Handling of Financial Matters.** No contract, loan, or other such obligation shall be executed in the name of, or on behalf of, the Company by any officer or agent of the Company unless specifically authorized to do so by a resolution of the Board, which authorization may be general or limited to specific conditions or circumstances. All contracts, loans, checks, notes, evidences of indebtedness, and other such documents shall be signed by the officers as specified in these Bylaws or by such persons as the Board may from time to time designate in such manner as shall be determined by the Board. All funds of the Company not otherwise employed shall be regularly deposited to the credit of the Company in such financial institution(s) as the Board shall designate.

**SECTION 2.19. Presumption of Assent.** A Director who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless that Director's dissent is entered in the minutes of the meeting or unless he or she shall file written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent, by registered or certified mail, to the Secretary of the Company immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action. If a vote by the Board is not unanimous, the individual votes shall be recorded in the minutes of the meeting.

### **ARTICLE 3 COMMITTEES**

**SECTION 3.1. Executive and Other Committees.** By one or more resolutions adopted by a majority of the Directors then in office, the Board may designate an Executive Committee and one or more other committees, each of which shall have and may exercise all of the authority of the Board granted to such committee by the resolution establishing such committee. Each committee shall be appointed by the Board, and shall be comprised of at least one Director, and such number of officers or shareholders as the Board shall determine. The President shall be a member of and shall chair the Executive Committee, if any. The delegation of authority to any committee shall not operate to relieve the Board or any member of the Board from any responsibility imposed by law. Rules governing procedures for meetings of any committee of the Board shall be as established by the Board, or in the absence thereof, by the committee itself.

**SECTION 3.2. Committee Governance.** Each committee established under these Bylaws shall be governed as follows:

- 3.2.1. Each committee shall, subject to subsection 3.2.5, fix its own rules of procedure;
- 3.2.2. Each committee shall keep a record of its proceedings and shall report its activities to the Board at the next regular meeting of the Board following each committee meeting;
- 3.2.3. Each committee shall meet at the call of the chair or of any two members of the committee;

- 3.2.4. A majority of any committee shall be necessary to constitute a quorum, and in every case the affirmative vote of a majority of the committee members shall be necessary to take any action; and
- 3.2.5. The Board may by resolution at the time a committee is established, or at any time after establishment of a committee, other than the Executive Committee, provide further rules and procedures for committee governance.

## **ARTICLE 4**

### **OFFICERS**

**SECTION 4.1. Officers.** The officers of the Company shall be as follows:

- 4.1.1. President;
- 4.1.2. Vice-President;
- 4.1.3. Secretary;
- 4.1.4. Treasurer; and
- 4.1.5. Such other officers as the Board may determine.

**SECTION 4.2. Election of Officers.** The Board shall elect a President, a Vice-President, a Secretary and a Treasurer. The President and Vice-President need not be members of the Board. The Secretary and the Treasurer need not be members of the Board and may be the same person if so designated by the Board, but cannot be the same person as the President. The Board may also require the President, Vice-President, Secretary, Treasurer, or any other officer or employee of the Company to give to the Company such security or bond for the faithful discharge of his or her duties as the Board may direct, at the expense of the Company.

**SECTION 4.3. Term of Office.** The President, Vice-President, Secretary and Treasurer shall each hold office for a term of one year and until his/her successor is duly elected and qualified; provided, however, that all officers of the Company shall be subject to removal at any time with or without cause, by majority vote of the Board.

**SECTION 4.4. Resignation of Officers.** An officer may resign at any time by giving written notice to the Secretary, or to the President in the case of the Secretary. Unless otherwise specified in the notice, the resignation shall take effect upon receipt of said notice, regardless of whether or not it is accepted by the Company.

**SECTION 4.5. Removal of Officers.** Any or all of the officers may be removed by a majority vote of the Board whenever the Board determines it is in the best interests of the Company. The removal of an officer shall not prejudice any contract rights of the removed officer. However, election or appointment as an officer, of itself, shall not create any contract rights.

**SECTION 4.6. Vacancies.** Vacancies occurring in any office, whether by death, resignation, removal from the Board, or otherwise, shall be filled by election of the Board of Directors.

Any person so elected or appointed shall hold office for the duration of the term of the officer giving rise to the vacancy (subject to removal), and until his/her successor is duly elected or appointed and qualified.

**SECTION 4.7. President.** The President shall be the principal executive officer of the Company and, subject to the direction of the Board, shall supervise and control all of the business and affairs of the Company. The President shall preside at all meetings of the members and of the Board. The President shall:

- 4.7.1. Present a report of the condition of the business of the Company at each annual meeting of the members;
- 4.7.2. Cause to be called regular and special meetings of the members and Directors in accordance with these Bylaws and the Articles;
- 4.7.3. Make recommendations to the Board regarding the appointment, removal, employment, discharge and compensation of all employees and agents of the Company other than the duly appointed officers;
- 4.7.4. Sign and make all contracts and agreements in the name of the Company, subject to the approval of the Board;
- 4.7.5. See that the books, reports, statements and certificates required by the statutes are properly kept, made, and filed according to law;
- 4.7.6. Sign all notes, drafts, checks, or bills of exchange, warrants or other orders for the payment of money duly drawn by the Secretary and/or Treasurer;
- 4.7.7. Enforce these Bylaws and perform all the duties incident to the position and office and which are required by law; and
- 4.7.8. Do and perform such other duties as may from time to time be assigned to the President by the Board or by any committee, or as are normally performed by the chief executive officer or president of a corporation, or as may be required by law.

4.7.8-4.7.9. The board may assign some or all of the above duties to another board member or staff member. In addition, at the Board's discretion, some or all of the above duties may be outsourced to outside service providers.

**SECTION 4.8. Vice-President.** In the absence of the President, or in the event of his death, inability or refusal to act, the duties of the President shall be performed and exercised by the Vice President and, when so acting, the Vice-President shall have all the powers and be subject to all the responsibilities hereby given to or imposed upon the President. The Vice-President shall also perform such other duties as are from time to time assigned by the President or the Board.

**SECTION 4.9. Secretary.** The Secretary shall:

- 4.9.1. See that accurate minutes are kept of the meetings of the Board and of the members and, when requested by any committee, the minutes of meetings of such committee;
- 4.9.2. Give and serve all notices of the Company;
- 4.9.3. Be custodian of the records of the Company and of the corporate seal, and affix the latter when required;
- 4.9.4. Maintain the share register, and keep a current record of the number of authorized shares, the number of issued shares, the number of outstanding shares, all cancelled share certificates, indemnity bonds, and related documentation and the names and addresses of each shareholder, and keep such records open daily during the business hours of the office of the Company, subject to the inspection of any member of the Company, and permit such member to make copies of said records to the extent prescribed by law;
- 4.9.5. Present to the Board at their meetings all communications addressed to the Secretary officially, by the President, or any officer or member of the Company, and attend to all correspondence and perform all duties incident to the office of Secretary; and
- 4.9.6. Perform such other duties as are from time to time assigned by the President or the Board.

4.9.6.4.9.7. The board may assign some or all of the above duties to another board member or staff member. In addition, at the Board's discretion, some or all of the above duties may be outsourced to outside service providers.

The Company may contract for commercial/professional services to assist the Secretary in any of these duties.

**SECTION 4.10. Treasurer.** The Treasurer shall:

- 4.10.1. Be the principal financial officer of the Company and oversee the care and custody of all its funds, securities, evidences of indebtedness and other personal property, and deposit the same in accordance with the instructions of the Board;
- 4.10.2. Supervise the process of receiving and giving receipts for moneys paid in on account of the Company;
- 4.10.3. Supervise the paying of all bills, payrolls and other just obligations of the Company of whatever nature out of available funds;
- 4.10.4. Prescribe and supervise the methods and systems of accounting to be followed, see that complete books and records of account are kept, prepare and file all

local, state and federal tax returns and related documents, and oversee the preparation of and furnish to the President and the Board statements of account showing the financial position of the Company and the results of its operations;

4.10.5. Upon request of the Board, make such reports to it as may be required at any time;

4.10.6. Give, at the direction of the Board, and at the expense of the Company, a bond for the faithful discharge of the duties of the Treasurer, in such sum and with such surety as the Board shall determine; and

4.10.7. Perform all other duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the President or the Board.

~~4.10.7.~~4.10.8. The board may assign some or all of the above duties to another board member or staff member. In addition, at the Board's discretion, some or all of the above duties may be outsourced to outside service providers.

**SECTION 4.11. Compensation of Officers.** By resolution of the Board, the Officers may be paid a reasonable stipend for their services. No such payment shall preclude any Officer from serving the Company in any other capacity and receiving compensation therefor.

## **ARTICLE 5 EMPLOYEES**

**SECTION 5.1. Appointment.** The Board may provide for employment of such managers and other employees as in its judgment the conduct of Company business may require.

**SECTION 5.2. Duties and Authority.** The Board shall define the duties, authority and compensation of all employees.

**SECTION 5.3. Employment at Will.** Unless otherwise provided by the Board, all managers and employees are employed at will.

**SECTION 5.4. Bonds for Employees.** The Board may require that any manager or employee shall give bond or other undertaking satisfactory to the Board for the faithful and true performance of their duties. The expense of the same shall be paid by the Company.

## **ARTICLE 6 STOCK OWNERSHIP AND TRANSFERS**

**SECTION 6.1. Shares Appurtenant to Land.** All shares issued by the Company, whether issued prior to or after the date of these Bylaws, are appurtenant to the land to which water service is, or is to be, provided by the Company. A member may not sell, convey or otherwise transfer ownership of a share to any person or persons except the owner(s) of the parcel of land to which the share is

appurtenant, and any such attempted transfer shall be null and void, and not recognized by the Company.

**SECTION 6.2. Share Register.** The Secretary shall maintain a “share register” in which a record is kept of all shares issued by the Company. The Secretary shall enter into the share register the class of share issued, the identification number of each share, the name and address of the person or persons owning the share or shares represented thereby, the lot or parcel to which the share is appurtenant, the date of original issue of the share, any special requirements associated with the share, and such other information as shall be determined by the Secretary and the Board.

**SECTION 6.3. Shares in Registered Form; No Share Certificates.** All shares issued after the date hereof shall be issued in registered form only. No share certificates shall be issued; provided, however, that the Company may issue will-serve letters or otherwise provide written confirmation that the recipient is entitled to water service. The Secretary shall take all steps necessary to assure that the cumulative total of (i) all currently issued and outstanding share certificates, plus (ii) issued and outstanding shares issued in registered form only, plus (iii) treasury shares held by the Company in either form, does not exceed the total number of issued shares. At the direction of the Board, the Secretary shall engage the services of a bank or trust corporation to maintain records of registered shares.

**SECTION 6.4. Transfers.** The ownership of shares shall automatically transfer to the new owner of the lot or parcel to which such share is appurtenant, upon recordation of the deed effecting the sale and conveyance of such lot or parcel. Such transfer shall be recorded by the Secretary in the share register upon receipt by the Secretary of such evidence as the Secretary requires to demonstrate ownership of the relevant lot or parcel.

**SECTION 6.5. Transfer Fees.** A transfer fee in an amount to be determined by the Board from time to time may be charged by the Company upon the registration of the transfer of share ownership. The Board may consider (and at the request of the Secretary shall consider) and approve additional fees to reimburse the Company for costs and expenses incurred in connection with such transfer.

**SECTION 6.6. Lost Certificates.** In the event an existing, outstanding share certificate is lost or destroyed, the Board may approve the registration of such share in registered form either in the name of the existing property owner or the new property owner, upon presentation of a lost stock affidavit, together with either (i) a lost instrument bond issued by a corporate surety in an amount approved by the Board, or (ii) such other security instrument as shall be satisfactory to the Board, after consultation with legal counsel for the Company.

**SECTION 6.7. Whole Shares.** The Company will not recognize transfers of fractions of shares.

## **ARTICLE 7 FISCAL YEAR**

The fiscal year of the Company shall be from January 1st to December 31st of each year.



**ARTICLE 8**  
**PRINCIPAL OFFICE & REGISTERED AGENT**

The principal place of business and registered agent of the Company shall be as provided in Articles XIII and XIV of the Articles of and may be changed from time to time by the Board in accordance with Utah Code Ann. §§ 16-6a-501 and 166a-502, as may be amended from time to time.

**ARTICLE 9**  
**SERVICE AREA**

The Board shall establish, and may from time to time change, enlarge, or reduce, the territory that is to be serviced by the Company, i.e., the Company's service area. No reduction of service territory shall be made which would cause the discontinuance of service to a member presently being served without the approval of said member, if said member is current on its accounts with the Company.

**ARTICLE 10**  
**EXPANSION OF WATER SYSTEM**

The Company has sufficient facilities and water rights to service the number of membership shares in the Company currently issued. The issuance of new shares to provide additional water service can only occur if the following requirements are met: (1) the Board must determine that there is sufficient capacity in the system to provide the requested additional service; (2) the Board must determine that the provision of the requested additional service will not be detrimental to the interests of the Company and/or its members; (3) title to sufficient water rights to cover the requested additional service, with approved points of diversion and places of use that are consistent with the Company's system and service area, must be conveyed to the Company; (4) an impact fee (if then established by rule adopted by the Board, and in the amount so established) shall be paid to the Company, and (5) any and all required additions or changes to the Company's facilities needed to provide the additional service shall be constructed, at the cost and expense of the new member(s). Upon compliance with these requirements and upon resolution of the Board approving the same, the appropriate number of new membership shares of the appropriate class shall be issued. The appropriate number of new shares shall be determined in a manner that maintains the right to the same quantity of water per share that existed before the issuance of the new shares and the addition of the new water rights.

**ARTICLE 11**  
**FEES AND ASSESSMENTS**

**SECTION 11.1. Water Service Fees.** The Board shall set water services fees for all water delivered by the Company system to members. Water service fees may be charged to members on a monthly basis or any other increment authorized by the Board. To promote conservation of water, water service fees shall consist of a base water rate to be paid by each member for an initial quantity of water as determined by the Board, and increased water usage rate(s) to be paid for each additional block or "tier" of water used. Culinary water service fees should be set such that Class A members

that also hold Class B shares pay fees based on their total water use, both indoor and outdoor, thereby accounting for their greater proportionate share of the costs associated with the water system.

**SECTION 11.2. Enforcement.** The Board shall adopt rules to enforce payment of water service fees and assessments, which rules shall include, but shall not be limited to, the suspension of water service and the payment of a reinstatement fee. Other than the bill seeking payment of water service fees that was mailed or delivered to the member's address of record, there shall be no requirement that the Company provide any notice to the member before terminating water deliveries. The Board may require a security deposit for all new customers, to be remitted upon the establishment of a satisfactory payment history, and may require a security deposit as a condition of reinstatement after a delinquency, as determined by the Board. Upon the sale of a home with delinquent service fees, the Board may not require the buyer to bring such delinquency current as a condition of commencing water service to the new buyer. However, no new service connection shall be provided to a lot unless and until all unpaid assessments and fees levied or assessed against the share appurtenant to such lot, or against any will-serve commitments for such lot, have been brought current.

**SECTION 11.3. Assessments.** Outstanding shares in the Company may be assessed in such amounts, at such times and in such manner, and for such uses and purposes pertaining to Company business, including the operation and maintenance of the water system, as the Board may from time to time determine, consistent with the Shareholder Assessment Act. Such assessments shall be in addition to water service fees paid by the members. Assessments may be levied annually, bi-annually, semi-annually, or at such other frequently as shall be determined by the Board. Each levy shall be made pursuant to a resolution of the Board, which resolution shall include such information as shall be determined by the Board, and as may be required by the Shareholder Assessment Act.

**SECTION 11.4. Standby Fees.** In addition to any other applicable fees, charges or assessments, the Company may impose a standby fee against (i) all outstanding and effective will-serve commitments, and (ii) all shares for the period, if any, between issuance of the share and activation of the connection. Such fees shall reasonably reflect the Company's cost of maintaining and operating facilities and water rights dedicated to satisfying such will-serve commitments and shares. Standby fees shall be levied, collected and enforced in the same manner as assessments.

**SECTION 11.5. Notice of Assessment.** The notice of assessment may be given either personally to each member and/or by mail addressed to the address of record for each member. It is the express duty of each member to timely notify the Company of any address changes. No other means of providing notice is required. The notice of assessment should contain the information required under the Shareholder Assessment Act.

**SECTION 11.6. Delinquency.** If any portion of the assessment mentioned in the notice of assessment remains unpaid on the day specified therein as to when the shares shall be delinquent, the shares are hereby declared to be delinquent as of that day. The payment of delinquent assessments shall be enforced in the manner specified by the Board at the time of approval of the assessment, and may include the payment of a penalty, the accrual of interest, any remedy authorized by the Shareholder Assessment Act, including the sale of the delinquent shares, the cancellation of will-serve commitments, any remedies set forth in rules or regulations adopted by the Board and any of the remedies specified in Section 11.2.

**ARTICLE 12**  
**INDEMNIFICATION**

**SECTION 12.1. Indemnification.** Directors, officers and employees of the Company shall be indemnified by the Company as follows:

12.1.1. Notwithstanding Section 12.1.2, and to the fullest extent allowed by applicable law, the Company shall indemnify any Director or officer of the Company who is successful, on the merits or otherwise, in the defense of any proceeding or matter to which the Director or officer was a party by reason of having served as a Director or officer of the Company, or any claim, issue or matter in the proceeding to which the Director or officer was a party because the Director or officer is or was a Director or officer of the Company, against reasonable expenses incurred in the proceeding or matter, including reasonable attorney fees.

12.1.2. The Company shall indemnify an individual made a party to a proceeding because the individual is or was a Director, officer, employee, fiduciary or agent of the Company, or by reason of any action alleged to have been taken, omitted or neglected as such Director, officer, fiduciary or agent against reasonable expenses incurred in connection with the proceeding, if:

12.1.2.1. the individual's conduct was in good faith;

12.1.2.2. the individual reasonably believed that the individual's conduct was in, or not opposed to, the Company's best interests; and

12.1.2.3. in the case of any criminal proceeding, the individual had no reasonable cause to believe the individual's conduct was unlawful.

12.1.3. The Company shall not indemnify a Director, or officer, employee, fiduciary, or agent in connection with a proceeding in which such individual was adjudged liable to the Company, or in connection with any other proceeding charging that the individual derived an improper personal benefit, whether or not involving action in the individual's official capacity, in which proceeding the individual was adjudged liable on the basis that the individual derived an improper personal benefit.

**SECTION 12.2. Advances of Costs and Expenses.** The Company shall pay for reasonable expenses incurred by a Director, officer, employee or agent (in defending a civil or criminal action, suit or proceeding) who is a party to a proceeding in advance of final disposition of the proceeding if:

12.2.1. the individual furnishes the Company a written affirmation of the individual's good faith belief that the individual has met the applicable standard of conduct described above in Section 12.1.2.

12.2.2. the individual furnishes the Company a written undertaking, executed personally or on the individual's behalf, to repay the advance, if it is ultimately determined that the individual did not meet the standard of conduct; and

12.2.3. a determination is made that the facts then known to those making the determination would not preclude indemnification.

**SECTION 12.3. Insurance.** By action of the Board, notwithstanding any interest of the Directors in such action, the Company may, subject to Section 12.5, purchase and maintain insurance, in such amounts as the Board may deem appropriate, on behalf of any individual indemnified hereunder against any liability asserted against such individual and incurred by such individual in such individual's capacity of or arising out of such individual's status as an agent of the Company, whether or not the Company would have the power to indemnify such individual against such liability under applicable provisions of law. The Company may also purchase and maintain insurance, in such amounts as the Board may deem appropriate, to insure the Company against any liability, including without limitation, any liability for the indemnifications provided in this Article.

**SECTION 12.4. Right to Impose Conditions to Indemnification.** The Company shall have the right to impose, as conditions to any indemnification provided or permitted in this Article, such reasonable requirements and conditions as the Board may deem appropriate in each specific case, including but not limited to any one or more of the following: (a) that any counsel representing the individual to be indemnified in connection with the defense or settlement of any action shall be counsel that is mutually agreeable to the individual to be indemnified and to the Company; (b) that the Company shall have the right, at its option, to assume and control the defense or settlement of any claim or proceeding made, initiated or threatened against the individual to be indemnified; and (c) that the Company shall be subrogated, to the extent of any payments made by way of indemnification, to all of the indemnified individual's right of recovery, and that the individual to be indemnified shall execute all writings and do everything necessary to assure such rights of subrogation to the Company.

**SECTION 12.5. Limitation on Indemnification.** Notwithstanding any other provision of these Bylaws, and except as otherwise provided by law, the Company shall neither indemnify any individual nor purchase any insurance in any manner or to any extent that would jeopardize or be inconsistent with qualification of the Company as an organization described in Section 501(c)(12) of the Internal Revenue Code (the "IRC").

**SECTION 12.6. Limitation on Liability.** The Directors and officers of the Company shall not be liable to the Company for monetary damages for any action taken or any failure to take any action as a Director.

## **ARTICLE 13**

### **INSURANCE**

The Company shall maintain reasonable amounts of errors and omissions liability insurance on the officers, directors, and employees of the Company. The Company shall also maintain a reasonable amount of general liability insurance on its real property and all water distribution facilities, with a minimum coverage level of \$1,000,000.

**ARTICLE 14**  
**ANNUAL BUDGET & FINANCIAL REPORT**

The President and the Board shall prepare an annual budget prior to, or at the beginning of, each fiscal year. The President and the Board shall also prepare, or cause to be prepared by a qualified accountant, an annual report on the financial condition of the Company at the end of each fiscal year. The President or his designee shall present this report to the members at the annual meeting. Any member, at its own expense, may cause an independent audit of the financial records of the Company.

**ARTICLE 15**  
**AMENDMENTS TO THE BYLAWS**

These Bylaws may be amended at any time by majority vote of a quorum of the Board.

**ARTICLE 16**  
**SEVERABILITY CLAUSE**

If any provision of these Bylaws, or the application of any provision to any person or circumstance, is held invalid, the remainder of the Bylaws shall be given effect without the invalid provision or application.

DULY ADOPTED by a majority vote of the Board of Directors of the Company at a duly noticed meeting of the Directors held this 2nd day of May, 2018.

COTTONWOOD MUTUAL WATER COMPANY

By: \_\_\_\_\_  
~~Michael Johanson~~ Blaine Murray ~~Mark Greenwood~~, President

Attested by:

\_\_\_\_\_  
\_\_\_\_\_, Secretary

**CERTIFICATE OF SECRETARY**

I do hereby certify:

1. That I am the duly appointed and acting Secretary of the Cottonwood Mutual Water Company, a Utah nonprofit corporation; and
2. That the foregoing Bylaws of the Cottonwood Mutual Water Company, comprised of 19 numbered pages (excluding the cover page and the table of contents pages but including this page), constitute the Bylaws of this Company as duly adopted and amended by its Board of Directors at a meeting held on the \_\_\_\_ day of May, 2018.

\_\_\_\_\_  
\_\_\_\_\_, Secretary