

BY-LAWS

This booklet contains the By-laws of Creek County Rural Water District No. 2, Tulsa & Creek County, Oklahoma, as amended, all of which are effective on February 12, 2013.

These By-laws are subject to amendment, as provided in the By-laws and by the Statutes of the State of Oklahoma. You are, therefore, on notice that these By-laws may, from time to time, be amended after printing of this booklet.

Should you have any questions after the effective date of the By-laws, as set out in this booklet, you should contact the President or Secretary of this corporation.

Serving Southwestern Tulsa County and

Southeastern Creek County

February 12, 2013

CREEK COUNTY RURAL WATER DISTRICT No. 2

Tulsa County, Oklahoma

RURAL WATER DISTRICT No.2 IN CREEK COUNTY OKLAHOMA

BY-LAWS

ARTICLE 1

Name and Place of Business-

SECTION 1:

The name of this corporation shall be Rural Water District No. 2 in Creek County, Oklahoma.

As used in these By-Laws, the phrase "participating member" shall mean "Benefit Unit owner." Use of the word "he" shall mean "he or she."

SECTION 2:

The principal office of this District shall be located within the corporate boundaries of the District.

ARTICLE 2

Corporate Powers-

SECTION 1:

The corporate powers of this District shall be vested in the Board of Directors, hereinafter referred to as the Board.

ARTICLE 3

Purpose and Objectives-

SECTION 1:

The purposes and objectives of this District are as follows:

(a)

To acquire water and water rights and to build and acquire pipe lines and other facilities, and to operate the same for the purpose of furnishing water to serve the needs of owners and occupants of land located within and/or without the boundaries of the District, as those boundaries have been established by the County Commissioners of Creek County and as authorized by the By-laws.

(b) To borrow money from any Federal or State agency, or from any other source, and to secure said loans by mortgaging or pledging all or any of the tangible and/or intangible assets and revenue and income of the District, including easements and rights-of-way.

(c) To hold such real, and personal property and/or intangible property as may come into the District's possession by will, gift, purchase, or otherwise, as authorized by law, and to acquire and dispose of such real and/or personal property, and/or intangible property, including rights-of-way and easements, wherever located, and as may be necessary and/or convenient for the proper conduct and operation of the business of the District.

(d) To establish rates and impose charges for water furnished to participating members and others.

(e) To enter into contracts for the purpose of accomplishing the purposes of the District or any purpose specified by the Board of Directors of the District in the Board's collective discretion with any person or governmental agency in any undertaking designed to further any of the purposes of the District or purposes specified by the Board of Directors.

(f) To cooperate with any person or with any government agency in any undertaking

designed to further the purposes of the District or purposes specified by the Board of Directors.

(g) To do and perform any and all acts necessary or convenient or desirable for the accomplishment of the purposes of the District for purposes specified by the Board of Directors which may lawfully be done by such District under the laws of the State of Oklahoma and or applicable Federal laws.

ARTICLE 4

Water and Other Service Users-

SECTION 1:

Water service and other services or goods for which the District is permitted to provide under these By-laws or otherwise permitted under the laws of the State of Oklahoma shall be supplied to customers of the District located within or without the boundaries of the District, subject to approval by the Board and subject to rules and regulations adopted by the Board for such purposes.

SECTION 2:

No owner of land located within the District shall be eligible to purchase services from the district unless he has first subscribed and paid for one or more benefit units. The purchase of a Benefit Unit shall entitle the owner of said Benefit Unit to participate in the business affairs of the District.

ARTICLE 5

Right to Vote-

SECTION 1:

Only Benefit Unit owners shall have the right to vote, provided payments of all sums due the District are current according to the Rules and regulations adopted by the Board governing payment terms. Each Benefit Unit owner shall be entitled to a single vote, regardless of the number of Benefit Units to which he may have subscribed/purchased. All Benefit Unit owners shall be eligible to vote at Annual or Special meetings of the Benefit Unit owners. There shall be no proxy voting, and no dual membership of Benefit Units for voting purposes. A participating member may be an individual, firm, partnership, association, corporation or other type of entity recognized by the laws of Oklahoma. A person voting as the representative of an entity (corporation, LLC, partnership etc.) which is a Benefit Unit owner, shall present to the Board written documentation acceptable to the Board, showing the person's authority to act for said

entity in order to be entitled to vote on behalf of said entity. Corporations or other business entities which own one or more Benefit Units, and for which there is 75% or greater common ownership among said corporations or other business entities, shall collectively be entitled to a single vote regardless of the number of Benefit Units held by said corporations or other business entities.

Benefit Unit owners shall be owners of land located within the District who have subscribed to one or more Benefit Units. Benefit Unit owners may not be delinquent on any debt due the District to be eligible to vote.

ARTICLE 6:

Benefit Units-

SECTION 1:

The Board shall from time to time, declare the availability of Benefit Units for subscription to be entered in its minutes and shall establish a unit price for said subscriptions. Such price may be adjusted from time to time by the Board. Each Benefit Unit shall carry with it the obligation of paying a minimum monthly meter (or water access) charge and/or other service charge established by the Board, from the time the applicable service has been made available. The Board, in its discretion, may from time to time, if the capacities of the District's facilities permit make additional Benefit Units available. Subscriptions for Benefit Units shall be given priority in the order in which received. The Board may refuse the subscription for a Benefit Unit in favor of a particular tract of land located within the District, or impose special conditions on granting the same, if in the judgment of the Board, the granting of said subscription and the furnishing of water pursuant thereto, would impair the service to other water users in that locality or be uneconomical or not feasible, and place an undue burden on the District.

Any landowner, who feels himself aggrieved by such denial, or imposition of special conditions, may appeal from the action of the Board to a vote of the Benefit Unit owners at the next regular meeting of the Benefit Unit owners or special meeting of the Benefit Unit owners called for such purpose. The decision of the Board shall stand, unless three-fourths of all participating members actually present at said meeting called for such purpose vote in favor of a motion to overrule the decision of the Board.

SECTION 2:

Upon the purchase of a Benefit Unit or Benefit Units, the owner of land shall designate the tract of land or tracts of land to which the Benefit Unit(s) shall be assigned, (a minimum of one Benefit Unit per tract), and each Benefit Unit (subject to the approval of

the Board) may be transferred from one tract of land to another in the District. The owner of lands subscribing for more than one Benefit Unit to be assigned to one tract of land shall at the time of said subscription designate as nearly as practical the location on said tract where he intends to utilize said Benefit Units and NO MAJOR CHANGE IN LOCATION SHALL BE MADE WITHOUT THE APPROVAL OF THE BOARD. Benefit Unit Certificates shall be issued by the Board, signed by the President and Secretary; (facsimile and or electronic signatures may be used. Each Benefit Unit will show the name of owner, and tract of land to which the Benefit Unit is assigned.

SECTION 3:

The consideration paid for Benefit Units shall be considered donations to the District and shall in no event and under no circumstances be refunded to the subscriber or successor in interest.

SECTION 4.

Benefit Units shall follow the title of the land, unless the owner of the land designates otherwise in writing and such designation is subject to the approval by the Board. Such designation and consequent approval by the Board must occur at the time the land owner holds title to the land, otherwise said designation shall be deemed invalid and the Benefit Unit shall follow the title to the land. Owners may transfer Benefit Units from one tract of land to another tract owned by them within the District, subject, however, to the approval of the Board. No transfer in ownership of Benefit Units shall be permitted without the subsequent approval of the Board. All transfers are subject to the approval of the Board. All charges against Benefit Units must be paid in full. Benefit Unit holders must be in compliance with all rules and regulations adopted by the Board. All transfers shall be recorded in the books of the District.

SECTION 5.

Each Benefit Unit shall entitle the owner not to exceed one connection to the District's water system for one residence or business. A separate Benefit Unit shall be purchased in order to receive a particular connection or service. The Board shall determine the price of each Benefit Unit associated with each particular type of service. Each connection shall serve not to exceed one residence or business establishment, together with the necessary and usual non-residential outbuildings.

SECTION 6.

Failure to pay the minimum monthly water meter or water access charge within the time specified by the District's rules, regulations, or contract with the Benefit Unit owner (or contract with a non-Benefit Unit owner) shall constitute an automatic forfeiture of the Benefit Unit on behalf of which such failure occurs. The Board shall adopt rules and regulations associated with the termination or suspension of service when a default has occurred. Provided, that such Benefit Unit shall be reinstated if within three (3) months

after such failure all back/delinquent charges are paid in full, plus the current late charge of 10% and reasonable labor charges to effect such reconnections. A Benefit Unit may, in the sole discretion of the Board, be reinstated if within six months after such failure to pay within the time allowed, all charges are paid in full, plus payment of 10% late charge of said amount, plus payment of all reasonable labor, material and equipment charges necessary to effect any disconnections and any such reconnections. Provided, further, that if the defaulting water subscriber is a tenant, the time set out above shall not commence to run until a registered or certified mail notice of such default by the tenant has been mailed to the Benefit Unit owner who owns the land associated with the tenancy. The Benefit Unit owner's last known address as shown on the books of the office clerk shall be used for this notification. Relative to any non-Benefit Unit owner, the relationship between the District and the non-Benefit Unit owner shall be governed by the terms of the contract made between them.

ARTICLE 7

Election of Directors:

SECTION 1:

The Board of this District shall consist of seven (7) members, all of whom shall be Benefit Unit owners of the District. The Board may adopt rules and regulations regarding the procedure by which a person may qualify for nomination to serve on the Board and announce their candidacy.

Any participating member of the District, that is, a Benefit Unit member in good standing, is eligible to be a board member (subject to Section 7 below). Pre-registration is required of an interest in a qualifying individual's intention to run for a position on the Board of Directors. This may be done by completing a Registration Form during the filing period each year from October 1st through October 31st . Registration Forms shall be available at the District's office during normal business hours.

At each Annual Meeting of the participating members, the Benefit Unit owners shall elect for a term of three years the number of Directors whose terms of office have expired. Notwithstanding the above, the number of Directors eligible at any election shall be adjusted in order to maintain staggered terms among the Board members.

SECTION 2:

Immediately following the Annual Meeting of the participating members, the Board shall meet and shall elect a President, Vice-President, Secretary, and Treasurer, from among themselves, each of whom shall hold office until the next Annual Meeting of the Benefit Unit owners and until the election and qualification of his successor unless sooner

removed by death, resignation, by operation of law, or for cause. The office of the Secretary and Treasurer may be held by one person. Any vacancy of an officer during the term of office may be filled by appointment by a majority vote of the remaining Directors.

SECTION 3:

Any vacancy on the Board, other than from the expiration of a term of office, shall be filled by appointment of the remaining Board members, within a reasonable period of time, in accordance with provisions of Title 82, Oklahoma Statutes.

SECTION 4:

A majority of the Board shall constitute a quorum at any meeting of the Board.

SECTION 5:

Any Director of the District may be removed from office for cause by a vote of not less than three-fourths of the Benefit Unit owners physically present at any Annual or Special Meeting called for that purpose. The Director shall be informed in writing of the charges preferred against him at least ten (10) days before such meeting, whether an Annual or Special Meeting of the Benefit Unit owners. At the Meeting, the Director shall have an opportunity to present witnesses and be heard in person in answer thereto. Officers of the Board may be removed for cause by vote of four (4) of the directors of the Board, with at least six (6) board members present. Employees and agents of the District may be discharged or removed from office or employment with or without cause by action of the Board or by action of a duly authorized representative of the Board having been formally granted such powers by the Board.

SECTION 6:

Just cause for the removal of Board members shall include, but is not limited to, the following:

(A). Absent from three (3) consecutive, regularly scheduled Board meetings, or five (5) meetings in a twelve (12) month period. The Board shall retain the authority to make exceptions to this rule at their discretion.

SECTION 7:

The qualifications for a Board Member are:

(A) Be bondable to a fixed amount set by the Board.

(B) Must be an individual (a person and not a business entity) Benefit Unit owner.

SECTION 8:

Election of Board Members:

The Board may adopt rules and regulations regarding the procedure by which a person may qualify for nomination to serve on the Board and announce their candidacy.

For the election of a Director whose term has expired, a list of persons desiring to be on the Board will be submitted in compliance with the Rules and regulations adopted by the Board, to the Benefit Unit owners at the Annual or Special meeting called for that purpose. In the event a person receives over 50% of the vote cast, then that person shall be elected to the Board. If no candidate received over 50% of the votes, cast in the first round of voting, then the two candidates who received the next greatest number of votes will participate in a runoff (or the candidate receiving the most votes, plus tying candidates receiving the most votes will participate in a runoff). The process will continue until there is a final vote for only two candidates. From the runoff, the one with the most number of votes will be elected onto the Board of Directors. This process will continue, with election for each position considered separately. The process for election of each Board Member position will be completed at the Annual Meeting, or Special Meeting of the Benefit Unit owners called for that purpose. There will be no extension of the meeting, except with the consent of the majority of the Benefit Unit owners present at the Annual or Special Meeting. In the event there are more than one open board positions to be filled at the annual meeting (or special meeting called for that purpose) any unsuccessful qualifying candidate in the election of one open board position, may be a candidate, (if nominated) for another open board position at said annual or special meeting.

SECTION 9:

Compensation to Board Members:

Effective March 1, 2005, by a vote of 3/4th of the participating members present at the Annual Meeting (February 8, 2005), the adoption of the following amendment was approved. The amendment increased by twenty (\$20.00) per meeting, the compensation to the board members for each meeting attended. The compensation paid to each Board member of the District shall be paid by check in the amount of Forty-five (\$45.00) dollars for each meeting that the Board Member physically attends.

Each Board Member shall receive the same amount, providing he attends a properly scheduled and noticed Board Meeting. All payments shall be made (for the meeting attended) at the next subsequent meeting following the person's attendance at the previous meeting. The District's Minutes of the Meeting will be considered the official record and accounting for meeting attendance and entitlement to subsequent compensation paid.

ARTICLE 8

Powers and Duties of Directors-

SECTION 1:

The Board, subject to the restrictions of law, and these By-laws, shall exercise all of the powers of the District. This will be done without prejudice to or limitation upon their General Powers. It is hereby expressly provided that the Board shall have, and is hereby given, full power and authority in respect to the matters as hereinafter set out:

- (a) The Board may, or authorize the District Manager, to select and appoint all agents and employees of the District. The Board may, or authorize the District Manager, to remove such agents and employees of the District with or without cause, prescribe such duties and designate such powers as may not be inconsistent with these By-laws, and/or the laws of Oklahoma. Additionally, employee compensation may be fixed by the Board within the guidelines established by them. The Board may authorize the District Manager to set employee compensation, provided said compensation is within the Board established guidelines.
- (b) To borrow from any source money, goods, or services, to make and issue notes, and other negotiable and transferrable instruments, mortgages, deeds of trust and trust agreements, and to do every act and thing necessary to effectuate the same.
- (c) To prescribe, adopt and amend, from time to time, such equitable and uniform rules and regulations as, in their discretion, may be deemed essential, necessary, or convenient for the conduct of the business and affairs of the District, and the guidance and control of its agents and employees.
- (d) To fix charges to be paid for the water service and/or other goods and services rendered by the District to the Benefit Unit member; to establish the time of payment, as well as the manner of payment and collection; and to establish reasonable rates for customers of the District as permitted by Oklahoma Law. The Board may establish different classes of rates, including but not limited to, a commercial rate, a residential rate, a rate premised on the type or nature of the service rendered, a rate premised on the volume of service, or other reasonable criteria.
- (e) To require all particular officers, agents, and employees, charged with the responsibility for the custody of any funds of the District to give adequate bond, and cost thereof to be paid by the District, and it shall be mandatory upon the Directors to so require.
- (f) To select one or more banks to act as depositories of the funds of the District and to determine the manner of receiving, depositing and disbursing the funds of the District in

the form of checks, or by electronic transfer, and the person by whom the same shall be signed or issued with the power to change such bank or person signing checks or issuing electronic transfers and the form thereof.

(g) Prior to the beginning of each fiscal year, the Board will adopt a budget for the following year. If necessary, water rates and/or other rates for goods and services provided by the District will be adjusted (to produce sufficient revenue as required by the laws of Oklahoma or as is deemed appropriate by the Board), and cause an annual audit of the District records and accounts to be made by a licensed certified public accountant or a qualified independent accountant as permitted by law, and make a report on said matters at each annual meeting of the Benefit Unit owners.

ARTICLE 9

Powers and Duties of Manager-

SECTION 1:

The Board may employ for the District a Manager, who shall have charge of the business of the District under the general control, supervision and direction of the Board. No Director shall serve as Manager. Subject to the express approval of the Board granting such powers, the Manager shall employ, supervise and dismiss all agents and employees of the District with or without cause, and fix their compensation. He shall also, so far as practical, conduct the business of the District in such a way that all patrons receive equal service and treatment, deposit in a bank selected by the Board, all money which comes into his possession and belongs to the District; maintain District records and accounts in such a manner that the true and correct condition of the business of the District may be ascertained; furnish the Board a current statement of the business and affairs of the District at each scheduled meeting of the Board; and, at the end of each fiscal year and at such times and in such form as the Board may direct, carefully preserve and turn over to his successor all business records of the District which may come into his possession; and to perform such other duties as may be prescribed by the Board.

ARTICLE 10

Duties of Officers-

SECTION 1:

President; The President, who shall be a member of the Board, shall preside over all meetings of the District and the Board, (or in his absence any officer of the Board may do so), call Special meetings of the District and the Board (or in his absence, any officer of the Board may do so) perform all acts and duties usually performed by an executive

and presiding officer, and shall sign all Benefit Unit Certificates (facsimile and/or electronic signatures may be used); and to sign such other papers of the District as he may be authorized or directed to sign by the Board, provided the Board may authorize any person to sign checks, on behalf of the District, provided that all checks must be countersigned by the Treasurer (facsimile and/or electronic signatures may be used). The President shall perform such other duties as may be prescribed by the Board and/or permitted by Oklahoma law. At any Board meeting, the President will vote only if a tie-vote occurs, or in meetings where his presence constitutes a quorum.

SECTION 2:

Vice-President; In the absence or disability of the President, the Vice-President, who shall be a member of the Board, shall perform the duties of the President.

SECTION 3:

Secretary: It shall be the duties of the Secretary, who shall be a member of the Board, to keep a record of the proceedings of the meetings of the Board and of the District (unless another agent or District employee is assigned this responsibility) in compliance with Oklahoma law. He shall serve, or cause to be served, all notices required to be served by law or the By-laws of the District (unless another agent or District employee is assigned this responsibility); and in case of his absence, inability, refusal or neglect to do so, then such notices may be served by any member of the Board, as directed by the President.

SECTION 4:

Treasurer: The treasurer, who shall be a member of the Board, shall receive and account for all funds of the District, (unless another agent or District employee is assigned this responsibility); shall deposit the same in a bank designated by the Board as a Depository, and pay the amounts, or cause them to be paid out of the depository, only on checks signed by the President, or someone authorized to sign on the President's behalf, as directed or specified by the Board, countersigned by the Secretary or Treasurer (facsimile and/or electronic signatures may be used). At each Annual Meeting of the District, he shall submit for the information of the participating members (or the Board may authorize the District auditor to submit this information), a complete statement of the accounts for the past year. He shall discharge such other duties pertaining to his office and sufficient bond in such amount as may be fixed by the Board.

ARTICLE 11

Books and Records-**SECTION 1:**

The books and records of the District, and such papers and/or electronic images as may be placed on file by vote of the District or Directors, shall during the reasonable business hours, be subject to inspection of any landowner, participating member of the District, or other qualifying person in accord with the Open Meeting Act of Oklahoma, and subject to the rules and regulations as adopted by the Board.

ARTICLE 12**Annual Meeting of Participating Member-****SECTION 1:**

The annual meeting of the participating members of the District shall be held at some suitable location within the District, at a date and time designated by the Board, but between January 1st and March 1st of each year.

SECTION 2:

Special meetings of participating members may be called at any time by the President or upon resolution of the Board, or upon written petition to the President of the Board, signed by 51% of Benefit Unit owners of the District. The purpose of every Special Meeting shall be stated in the notice/agenda thereof, and no business shall be transacted there except such as is specified in the notice/agenda.

SECTION 3:

Notice of meetings of participating members of the District shall be given by mail to each participating member of record directed to the address shown upon the books of the District at least ten days prior to the meeting. Such notice shall state the nature, time, place, and purpose of the Meeting, but no failure or irregularity of a notice of any Annual Meeting, regularly held, shall affect any proceeding taken thereat.

SECTION 4:

The participating members present at any meeting of participating members shall

constitute a quorum for the purpose of transacting business.

SECTION 5:

The order of business at the Annual Benefit Unit owner's meeting, or Special Meeting of the Benefit Unit owners, shall be in substantial compliance with the following:

- (A) Call to Order;
- (B) Proof of Notice of Meeting;
- (C) Reading (which may be waived by a majority vote of the Benefit Unit owners present) and approval of minutes of last meeting;
- (D) Report by officers and Committees;
- (E) Report from District Manager;
- (F) Unfinished Business;
- (G) New Business;
- (H) Election of Directors
- (I) Adjournment,

ARTICLE 13

Board Meetings-

SECTION 1:

After the annual election of Board members, the Board will elect officers to serve until the next annual meeting. The Board shall meet at other times as may be determined by the Board or upon call by the President, or any two members of the Board. Four board members constitute a quorum. Notice of all meetings of the Board shall be by mail to the last known business or residence address of each Director, or by fax to a fax number provided to the Board by the applicable director, or by email at an email address provided to the Board by the applicable director, at least two days before the holding of such meeting.

ARTICLE 14

Manner of Election and Voting-

SECTION 1:

At all meetings of the Benefit Unit owners, each participating member, qualified as stated in these By-laws, shall be entitled to vote upon all propositions coming before said District. No cumulative voting shall be permitted and each participating member of the District shall have but one vote.

ARTICLE 15**Seal-****SECTION 1:**

The District shall have a corporate seal, consisting of a circle having in its circumference and face the words "Rural Water District No. 2, Creek County, Corporate Seal, Oklahoma, 1964" which shall be in the custody of the office. Said seal may be an electronic image, as specified by the Board.

ARTICLE 16**Fiscal Year-****SECTION 1:**

The fiscal year of the District shall begin the first day of December of each year, for accounting purposes.

ARTICLE 17**Amendment-****SECTION 1:**

These By-laws may be repealed or amended by a vote of three/fourths of the participating members present at any Annual or Special meeting of the Benefit Unit owners, provided that any proposed amendments to the By-Laws shall be announced in any notice of agenda for said meeting, and they shall be made available for review. Benefit Unit owners shall not have the power to change the purposes of the District so as to impair its rights and powers under the laws of the State of Oklahoma, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the District, or its participating members, or to deprive any participating

member of rights and privileges vested and existing, or to so amend the By-laws contrary to the laws of Oklahoma. Notice of any amendment to be made at any Annual or Special meeting of the Benefit Unit owners must be given at least ten (10) days before such meeting and must be made available for all Benefit Unit owners to consider.

ARTICLE 18

Basis of Operation-

SECTION 1:

The District shall at all times be operated on a non-profit basis for the mutual benefit of its participating members.

ARTICLE 19

Benefits and Duties of Members

SECTION 1:

The District shall install, maintain and operate a main distribution pipe line or lines to a point or points specified by the Board. The District may charge the Benefit Unit owners receiving service from the District for line extensions and other expenses necessary to provide service to the affected Benefit Unit owner.

SECTION 2:

Each participating member shall be entitled to purchase from the District, pursuant to such agreement as may from time to time be provided and required by the District and the Board, water (or other goods and services offered by the District) for domestic, business, and other such purposes as a participating member may desire, subject, however, to the provisions of these By-laws and such rules and regulations as may be adopted by the Board. The water delivered to each participating members shall be metered.

SECTION 3:

In the event the total water supply shall be insufficient to meet all of the needs of the members and users, or in the event there is a shortage of water, the District may; prorate the water available among the various members and users on such basis as is deemed equitable by the Board, and may also prescribe a schedule of hours, covering the use of water for garden purposes and require adherence thereto, or prohibit the use of water for garden purposes if at any time the total water supply shall be insufficient to

meet all of the needs of all of the participating members for domestic, livestock, garden and other purposes, and the District must first satisfy all the needs of the participating members for domestic, livestock, garden and other purposes, and the District must first satisfy all the needs of all the participating members for domestic purposes before supplying water for business or livestock purposes before supplying water for gardens and other purposes.

ARTICLE 20

Printing-

SECTION 1:

After adoption, these By-laws shall be printed and a copy shall be made available to the public at the business office of the District.

ARTICLE 21

Insurance and Indemnity for Manager, Officers and Directors-

Each Manager, Director, or Officer of the District now or hereafter in office and his heirs, executors and administrators shall be indemnified by the District against all costs, expenses and amounts of liability, including counsel fees, reasonably incurred by or imposed upon him in connection with or resulting from any action, suit, proceeding or claim to which he may be made a party, or in which he may be or become involved by reason of his acts of omission or commission or alleged acts of omission or commission of any Manager, Director, or Officer of the District, or subject to the provisions hereof, any settlement thereof, whether or not he continues to be such Manager, Director, or Officer at the time of incurring such costs, expenses or amounts, and whether or not the action or omission to act on the part of such Manager, Director, or Officer, which is the basis of such suit, action, proceeding or action, or claim, occurred before or after the adoption of this By-law, provided that such indemnification shall not apply with respect to any matter as to which such Manager, Director, or Officer shall be finally adjudged in such action, suit or proceeding to have been individually guilty of willful misfeasance or malfeasance in the performance of his duty as such Manager, Director, or Officer, and provided, further, that the indemnification herein provided shall, with respect to any settlement of any such suit, action, proceeding or claim, include reimbursement of any amounts paid and expenses reasonably incurred in settling any such suit, action, proceeding or claim, when, in the judgment of the board of directors of the District, such settlement and reimbursement appear to be for the best interests of the District. The foregoing right of indemnification shall be in addition to and not exclusive of any and all

other rights as to which any such Manager, Director, or Officer may be entitled under any By-law, agreement, vote of Benefit Unit holders or otherwise.

District agrees to defend against any claims brought or actions filed against any Manager, Director, or Officer with respect to the subject of the indemnity contained herein, whether such claims or actions are rightfully or wrongfully brought or filed. The District shall purchase and maintain appropriate insurance coverage to cover any liability which might arise against any Manager, Director, or Officer arising from or relating to their actions or inactions in performing their duties and powers as indemnified herein, and shall maintain such coverage for at least two (2) years after the Manager, Director, or Officer ceases to function in his position. The Board of Directors shall determine and set the amount of coverage to be obtained and maintained.