

WATER PROJECT DISTRICT

BY-LAWS

ARTICLE I.

OFFICE

The name of this District shall be LAKE POINSETT WATER PROJECT DISTRICT and its principal office shall be at Brookings, South Dakota 57006.

ARTICLE II.

MEMBERSHIP

Any person who is the owner of real property included within the boundaries of the District shall be a member. "Person" shall include individuals, corporations or associations, but not a public body or political subdivision. "Owner" shall include each person who, according to the records of the office of the Register of Deeds of the county or counties where land included within the District is located, is shown of record as of December 31 of each year to have an ownership interest in land located within the District. If property is owned by one person either jointly or in common with others, each person shown by the records of the Office of the Register of Deeds shall be considered a member and be entitled to vote and sign Petitions. Each person eligible to vote shall be entitled to only one vote, even though that person may own more than one parcel of property within the boundaries of the District.

ARTICLE III.

DIRECTORS

Section 1. General Powers -- The affairs of the District shall be managed by its Board of Directors.

Section 2. Number of Directors -- The Directors shall constitute the governing Board of this District. There shall be seven (7) Directors, all of whom must be members.

Section 3. Terms and Method of Election -- Directors shall be elected at large from the membership of the District. All Directors shall be elected to serve a term of three (3) years and until their successors are elected and qualified. Petitions for the nomination of Directors shall be presented to the Secretary in keeping with the mandates of SDCL 46A-18-25 and Directors shall be elected at the annual meeting of the District pursuant to SDCL 46A-18-23.

Section 4. First Board of Directors and Term of Office -- The following named persons have been appointed as the First Board of Directors of the LAKE POINSETT WATER PROJECT DISTRICT pursuant to the initiating Petition:

Group 1 - To serve until the first annual meeting:

Mrs. Charlene Parliament
Mr. Richard J. Helsper

Group 2 - To serve until the second annual meeting:

Mr. Mark E. Swanson
Mrs. Joyce Ulmer

Group 3 - To serve until the third annual meeting:

Mr. Virgil Herriott
Mr. Sid Bostic
Mr. James O. Edwards

Section 5. Vacancies -- Vacancies of unexpired terms of Directors shall be filled by appointment by the remaining Directors of the District and such appointees shall hold office for the remainder of the unexpired term. (SDCL 46A-18-26). Vacancies of expired terms of Directors when no successor Director is duly nominated or elected shall be filled by the Director whose term expired who shall continue to serve until a successor is duly nominated and elected.

Section 6. Quorum -- A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board.

Section 7. Directors Meetings -- Meetings of the Board of Directors may be called at any time by the Chairman or at the request of any Director through the Chairman. The Secretary shall mail a notice of meeting to each Director at least ten (10) days prior to the meeting. (SDCL 46A-18-37 (4)).

Section 8. Compensation -- Directors shall not be entitled to compensation for serving as Directors of the corporation but shall be entitled to per diem and reimbursement for expenses, including travel expenses, necessarily incurred in the discharge of their duties. The amount of reimbursement shall be at current state government rates and subject to the approval of the Board of Directors. (SDCL 46A-18-36). The Board of Directors shall adopt a resolution stating rates each year.

Section 9. Annual Report -- The Directors shall annually make and file a report of financial conditions of the District, the status of all projects and work thereon, the business transacted by the District and other matters affecting the interest of the District. A copy of the report shall be submitted to the South Dakota Board of Water and Natural Resources. (SDCL 46A-18-71).

ARTICLE IV

OFFICERS

Section 1. Officers -- The Board of Directors shall elect one of its members as a Chairman and one as a Vice-Chairman.

Section 2. Election and Term of Office -- The Directors of the corporation elected as officers of the corporation shall be elected at the annual meeting of the Board of Directors and if the election of officers is not held at such meeting, such election shall be held as soon thereafter as conveniently may be. Officers shall hold their office until successors are elected and qualified.

Section 3. Removal -- Any officer elected or appointed by the Board may be removed by the Board by a majority vote of the remaining Directors whenever in the Board's judgment the best interests of the corporation would be served by such removal, but such removal shall be without prejudice to contract rights, if any, of the officer so removed and the election or appointment of an officer shall not, of itself, create contract rights.

Section 4. Vacancies -- A vacancy in any office because of the death, resignation, removal, disqualification or otherwise, may be filled by the Board by a majority vote for the unexpired portion of any term.

Section 5. Chairman -- The Chairman shall preside at all meetings of the Directors and members and shall have general supervision and be in charge of the business of the corporation, subject to the general direction of the Board of Directors. The Chairman may sign, with attestation by the Secretary, or the Vice-Chairman, any deeds, mortgages, bonds, contracts, or other instruments which the Board authorizes to be executed, except in such cases where the signing and execution thereof shall be expressly delegated by the Board, by these By-Laws or by statute to some other officer or agent of the corporation and in general the Chairman shall perform all duties incident to the office of a Chairman and such other duties as may be prescribed by the Board from time to time.

Section 6. Vice-Chairman -- The Vice Chairman shall perform all of the duties and functions of the Chairman in the absence or disability of the Chairman.

Section 7. Secretary-Treasurer -- The Board of Directors shall appoint a Secretary-Treasurer, who shall not be a member of the Board. The Secretary-Treasurer shall serve at the pleasure of the Board and compensation and bond, if any, shall be established by the Board of Directors. (SDCL 46A-18-22)

Section 8. Indemnification -- Each Director, Officer and the Secretary-Treasurer of this District shall be personally protected and indemnified by the District for all that he shall officially do on behalf of the District in pursuance of his duties, or in the execution of his office, or in the prosecution of the business or affairs of the district, except where it be shown that he acted with negligence or committed misconduct in the performance

of duty and, except as above set out, the corporation shall protect him from and reimburse and indemnify him for all fines, charges and penalties imposed by law or any Government Board or Bureau of every kind and nature which he shall so sustain in the prosecution of the business of the District. The District shall defend for him, at its own expense, all proceedings brought against him as a result of anything he may do officially in the execution of his duties of his office or prosecution of the business of the district, before making determination that the same arose out of negligence or misconduct be thereafter established, the District shall have the right to reimburse itself for the expense of such defense, and, for that purpose, shall have a cause of action against such person for such reimbursement.

Section 9. Other Employees -- The Board of Directors may, from time to time, employ full time or part time such consultants, engineers, or other employees as they may deem necessary.

ARTICLE V.

MEMBERSHIP MEETINGS

Section 1. Annual Meeting -- An annual meeting of the members of the District shall be held during _____ of each year, at a time and place to be designated by the Board of Directors.

Section 2. ~~Special Meetings~~ -- Special meetings of the members may be called by the Chairman, a majority of the Board or on petition of not less than ten (10) regular members.

Section 3. Notice of Meetings -- The Board of Directors shall cause to be published, once each week for three (3) consecutive weeks immediately prior to the annual meeting of the membership, in a legal newspaper of general circulation in each county that has land situated within the District, a notice of the annual meeting and the annual election of Directors stating the time, place and purpose of the meeting, including the purpose of election of Directors. (SDCL 46A-18-24)

Section 4. Quorum -- Those members present at any annual or special meeting of the Board of Directors shall constitute a quorum.

Section 5. Rules -- On questions of parliamentary procedure not covered by these By-Laws, a ruling of the Chairman shall prevail.

ARTICLE VI.

POWERS AND DUTIES

This District shall have those powers proscribed by SDCL 46A-18-32 and its Directors shall have those powers and duties proscribed by SDCL 46A-18-37 and 46A-18-38.

ARTICLE VII.

PROPERTY AND FISCAL AFFAIRS

Section 1. Gifts -- The Board of Directors may accept, on behalf of the District, any contribution, gift, bequest or devise for the general purposes or for any special purpose of the corporation.

Section 2. Investment Policy -- Unless otherwise provided by the terms of any gift, bequest or devise, the Board of Directors in acquiring, investing, re-investing, exchanging, retaining, selling and managing property belonging to the corporation shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion and intelligence exercise in the management of their own funds, considering the probable income as well as the probable safety of their capital.

Section 3. Conveyances -- All sales, conversions and conveyances and all mortgaging and encumbering of real estate, satisfaction of mortgages and instruments affecting real estate shall be authorized by resolution of the Board of Directors, and all instruments in connection therewith shall be executed pursuant to such resolution by such person or persons authorized by the Board of Directors and the District seal shall be attached.

Section 4. Contracts -- The Board may authorize any officer or officers, agent or agents of the District, in addition to the officers so authorized by these By-Laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation; and such authority may be general or confined to specific instance.

Section 5. Annual Budget -- On or before August first of each year a copy of the annual operation and maintenance budget for the following calendar year shall be filed with the Board of Water and Natural Resources. A tax levy resolution will be filed with the county auditors of Brookings and Hamlin Counties on or before August first.

Section 6. Funds -- The funds of the District shall be deposited in such bank, banks, or trust companies as the Directors shall designate by resolution and all checks, drafts, orders for the payment of money, notes or other evidence of indebtedness issued in the name of the District shall be signed by the Secretary-Treasurer and countersigned by the Chairman of the District.

Section 7. Reports of Condition -- There shall be prepared by the Chairman and Secretary-Treasurer, under the direction of the Board of Directors and submitted to the Board of Directors and to the members at the regular annual meeting, a report of financial condition of the District covering the preceding year and generally outlining the progress and status of the business and affairs of the District.

ARTICLE VIII.

DISTRICT SEAL

The Board of Directors shall adopt and approve a seal which shall include the name LAKE POINSETT WATER PROJECT DISTRICT, the year of the formation of the District "1989" and designation as "District Seal".

ARTICLE IX.

AMENDMENTS

Section 1. These By-Laws may be altered, amended or repealed at any annual meeting of the membership by an affirmative vote of a majority of those members present.

ARTICLE X.

BOOKS AND RECORDS

The District shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, the Board and committees having any of the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members. All books and records of the district may be inspected by any member, or his agent or attorney, for any proper purposes at all reasonable time.

ARTICLE XI.

DISSOLUTION

Upon petition of twenty-five percent (25%) or more of the qualified voters of the District, an election to determine the question of dissolution of the District shall be held, upon notice, all as prescribed by SDCL 46A-18-74 through 46A-18-77.

ARTICLE XII.

FISCAL YEAR

The fiscal year of the corporation shall begin on the 1st day of January and end on the last day of December in each year.

ARTICLE XIII.

WAIVER OF NOTICE

Whenever any Notice is required to be given under the provisions of the statutes of the State of South Dakota or the Articles of Incorporation or the By-Laws of the District, a waiver thereof in writing signed by the person or

persons entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. The appearance of any Director or member at any annual or special meeting of the Directors or membership shall constitute a waiver of notice.

ARTICLE XIV.

CONTROLLING LAW

The conduct and affairs of the District shall be as proscribed by SDCL 46A-18---"Water Project Districts"---and subsequent amendments thereto.