

**ARTICLES OF INCORPORATION
OF
CLAY RURAL WATER SYSTEM**

KNOW ALL MEN BY THESE PRESENTS: That we, Ernie Schmidt, Roger Strom, Jens Hansen, Ken Mockler, Melvin Walz, Ray Schulz, Don Huth, Willard Jensen, Loren Johnson, Russell Anderson, Arnie Larson, Darrel Johnson, residents of the State of South Dakota and over twenty-one (21) years of age, have associated ourselves together for the purpose of forming a nonprofit corporation in accordance with the provisions of Chapter 47-22, South Dakota Compiled Laws, and do hereby make, execute and acknowledge in triplicate, these Articles of Incorporation in writing.

ARTICLE I.

The name of this Corporation is the Clay Rural Water System, Incorporated, and is located at Wakonda, South Dakota. **Amended 6-1-1989**

ARTICLE II.

This Corporation shall have perpetual existence.

ARTICLE III.

The objects and purposes of this Corporation specifically include but are not necessarily limited to the following, to-wit:

- A. To acquire, construct, maintain, and operate a system for the diversion, supply, storage, treatment and distribution of water to the members of this Corporation for domestic, livestock, municipal, commercial, or private purposes within the area served by the Corporation in the Counties of Clay, Union, Lincoln, Turner and Yankton, South Dakota. **Amended 4-27-2009**
- B. To acquire by appropriation or otherwise, and to lease, sell or dispose of water and water rights for domestic, livestock, municipal, commercial, or private purposes. **Amended 4-27-2009**
- C. To borrow money for the use of said corporation and to issue securities therefor and to pledge, mortgage, hypothecate, and otherwise dispose of the real, personal and intangible property of the corporation as security therefor.
- D. To have power to establish schedules of rates for the delivery of water, and to levy assessments upon its members, irrespective of whether or not payment in full has been made for their memberships, and to collect such water charges and assessments from its members. In the event of delinquency in the payment of such water charges and assessments, the corporation shall have the power to enforce the collection thereof by either or by any combination of the following remedies, upon giving notice to the delinquent member in the manner provided in the Bylaws as the same are in force and effect at the time such delinquency occurs.
 1. By personal action of debt brought against the delinquent member in a court of competent jurisdiction.

- 2. By forfeiture of the delinquent membership or by termination of the delinquent membership, in the method provided by the Bylaws.
 - 3. By withholding the delivery of water from the service connection of the delinquent member.
- E. To exercise any and all powers incidental to or conducive to the aforesaid objects or any of them.

ARTICLE IV.

The principal place of business of the Association shall be located at Wakonda, South Dakota.
Amended 6-1-1989

ARTICLE V.

The address of the initial registered office shall be 17 Elm Street, Vermillion, South Dakota, and the name of the initial registered agent at said address for the service of process is John S. DeVany.

ARTICLE VI.

The affairs of the Association shall be under the control of twelve (12) Directors, and those who shall as Directors manage the affairs of the Association for the first year and until their successors are duly elected and qualified are:

Name	Address
Ernest Schmidt	Vermillion, S.D.
Roger Strom	Centerville, S.D.
Jens Hansen	Burbank, S.D.
Kenneth Mockler	Burbank, S.D.
Melvin Walz	Wakonda, S.D.
Ray Schulz	Vermillion, S.D.
Donald Huth	Wakonda, S.D.
Willard Jensen	Beresford, S.D.
Loren Johnson	Beresford, S.D.
Russell Anderson	Wakonda, S.D.
Arnold Larson	Beresford, S.D.
Darrell W. Johnson	Burbank, S.D.

At the first annual meeting following the expiration of the one-year period for which the Directors herein designated will serve, and at each annual meeting thereafter, a new Board of Directors will be elected in accordance with the provisions of the Bylaws of the Association and the laws of the State of South Dakota, in such cases made and provided.

ARTICLE VII.

The names and addresses of each incorporator are listed as follows:

Name	Address
Ernest Schmidt	Vermillion, S.D.
Roger Strom	Centerville, S.D.
Jens Hansen	Burbank, S.D.
Kenneth Mockler	Burbank, S.D.
Melvin Walz	Wakonda, S.D.
Ray Schulz	Vermillion, S.D.
Donald Huth	Wakonda, S.D.
Willard Jensen	Beresford, S.D.
Loren Johnson	Beresford, S.D.
Russell Anderson	Wakonda, S.D.
Arnold Larson	Beresford, S.D.
Darrell W. Johnson	Burbank, S.D.

ARTICLE VIII

The Board of Directors shall establish a minimum water and a schedule of charges for water uses in excess of the minimum. The established minimum water charge shall apply to each service connection. Annually the Board of Directors shall review the established rates and based upon consideration of the expenses of operation and maintenance, repayment of indebtedness and establishment of a proper reserve fund, and the anticipated amount of such costs during the coming year, shall make any proper revision of such schedule of rates.

ARTICLE IX

If at any time during the fiscal year it appears in the judgment of the Board of Directors that the amount to be derived from the collection of water charges during such fiscal year will be insufficient for the payment of all costs incident to the operation and maintenance of the corporation’s system and payment of the corporation’s current indebtedness the Board shall make and levy an assessment upon each member so that the total of such assessment is sufficient, with the amount of water charges collected and reasonably anticipated to be collected, to fully pay the costs of operation and payments on said current indebtedness. A proportionate amount of the total of such assessment levied in any year shall be levied against each member in an amount equal to that portion which the number of service connections supplying each member bears to the total number of service connections served by the system of the corporation.

ARTICLE X

Section 1. There shall be no capital stock issued by the corporation, and membership in the corporation shall be limited to persons, corporations or bodies politic owning, controlling or occupying land situated within the area served by the water system of the corporation and reasonably accessible thereto. Applicants for membership who have been approved and have made payment of the membership fee as fixed in the Bylaws, shall be admitted to membership, provided that no occupant of land, who is otherwise eligible for membership, shall be entitled to or be admitted to membership if the capacity of the corporation’s system or sources of water supply is required to meet the needs of existing members.

Section 2. Each member, upon payment of the membership fee, shall be entitled to have one service connection installed at a point which may conveniently be tapped for the supply of water to the premises occupied by him, and upon payment of recurring water charges and also assessments, shall be entitled to a supply of water as available from the system of the corporation. Any person desiring more than one service connection shall be required to apply for and to pay a separate membership fee for each service connection authorized by the corporation.

Section 3. There shall be an annual meeting of the members of the corporation to be held at such time and place as may be provided in the Bylaws. Each member shall be entitled to only one vote irrespective of the number of memberships held.

Section 4. Membership in this Association shall be transferable and subject to mortgage or pledge only upon the approval of the Board of Directors. The above provisions shall be recited in all certificates of membership issued.

ARTICLE XI.

The Bylaws of the Association for the management of its affairs shall be adopted by the members of said Association, and said members will be empowered to amend or repeal said Bylaws in accordance with the provisions thereof.

ARTICLE XII.

Neither cumulative nor proxy voting shall be allowed. Each member shall be permitted only one vote.

ARTICLE XIII.

Sale, conveyance, or encumbrances of all or any part of the property of the company may be made by the Board of Directors, provided, however, that such sale, conveyance or encumbrance is authorized by a two-thirds vote of the Directors present at a regular Board meeting or a special Board meeting called for the purpose, and instruments of conveyance or encumbrance shall be executed on behalf of the company by the President and attested by the Secretary of the Company. **Amended 4-10-2000**

ARTICLE XIV.

Section 1. No officer, Director or member shall at any time receive or become entitled to receive any pecuniary profit from the operations hereof either by dividends or other distribution or by payment of any salary, wage, or reward of any kind in excess of reasonable compensation for services actually rendered by any officer, agent, Director, or employee or member of the corporation.

Section 2. In the event of dissolution of this corporation, the remaining property and assets shall be distributed to all persons who were members during the period when such remaining property and assets were owned by the corporation in proportion to the amount of business done by each member as determined from the record book of the corporation during that period. **Amended 5-10-1976**

Section 3. The Board of Directors of the corporation shall establish a permanent record-keeping system to determine at any time each member's former member's rights and interests in the property, assets and savings that the corporation retains. Such rights and interests shall be based upon the business done by each member and former member with the corporation. **Amended 5-10-1976**

Section 4. No member's individual liability shall extend beyond the consideration paid by each member for his membership certificate. **Amended 5-10-1976**

**APPENDIX A
AMENDED 5-10-1976**

The Board of Directors, and the only members of the Clay Rural Water System, Incorporated, did adopt the following Amendment to Article XIV of the Articles of Incorporation of the Clay Rural Water System, Incorporated:

1. Amend Section 2 by repealing all of Section 2 and adding the following in place thereof:

Section 2. In the event of dissolution of this corporation, the remaining property and assets shall be distributed to all persons who were members during the period when such remaining property and assets were owned by the corporation in proportion to the amount of business done by each member as determined from the record book of the corporation during that period.

2. Amend Section 3 by changing section number to "Section 4".
3. Add the following new section:

Section 3. The Board of Directors of the corporation shall establish a permanent record-keeping system to determine at any time each member's former member's rights and interests in the property, assets and savings that the corporation retains. Such rights and interests shall be based upon the business done by each member and former member with the corporation.

**APPENDIX B
AMENDED 6-1-1989**

The members of the Clay Rural Water System, Incorporated, did adopt the following Amendment to the Articles of Incorporation of the Clay Rural Water System, Incorporated:

1. Amend Article IV as follows:

The principle place of business of the Association shall be located at Wakonda, South Dakota.

2. Add Article XV as follows:

To the fullest extent permitted by South Dakota law as the same exists or may hereafter be amended, a Director of this Corporation shall not be liable to the Corporation or its members for monetary damages for breach of fiduciary duty as a director.

**APPENDIX C
AMENDED 4-26-1990**

The members of the Clay Rural Water System, Incorporated, did adopt the following Amendment to the Articles of Incorporation of the Clay Rural Water System, Incorporated:

1. Amend Article XIII as follows:

Sale, conveyance, or encumbrances of all or any part of the property of the company may be made by the Board of Directors, provided, however, that such sale, conveyance or encumbrance is authorized by a two-

thirds vote of the members present at a regular membership meeting or a special membership meeting called for the purpose, and instruments of conveyance or encumbrance shall be executed on behalf of the company by the President and attested by the Secretary of the Company.

**APPENDIX D
AMENDED 4-10-2000**

The following amendment of the Articles of Incorporation was adopted by the directors or members of the corporation on March 21, 1996 in the manner prescribed by SDCL 47-22 and filed by the Board of Directors on March 23, 2000:

1. Amend Article XIII to read:

Sale, conveyance, or encumbrances of all or any part of the property of the company may be made by the Board of Directors, provided, however, that such sale, conveyance or encumbrance is authorized by a two-thirds vote of the Directors present at a regular Board meeting or a special Board meeting called for the purpose, and instruments of conveyance or encumbrance shall be executed on behalf of the company by the President and attested by the Secretary of the Company.

**APPENDIX E
AMENDED 4-27-2009**

The Articles of Incorporation have been amended by the members or directors of the corporation in the manner prescribed by SDCL 47-22 on March 28, 2009:

1. Amend Article III to read:

The objects and purposes of this corporation specifically include but are not necessarily limited to the following, to-wit:

- A. To acquire, construct, maintain, and operate a system for the diversion, supply, storage, treatment and distribution of water to the members of this Corporation for domestic, livestock, municipal, commercial, or private purposes within the area served by the Corporation in the Counties of Clay, Union, Lincoln, Turner and Yankton, South Dakota.
- B. To acquire by appropriation or otherwise, and to lease, sell or dispose of water and water rights for domestic, livestock, municipal, commercial, or private purposes.