

M E M O R A N D U M

August 28, 1995

TO : DIVISION OF RECORDS AND REPORTING
DIVISION OF LEGAL SERVICES (PELLEGRINI) *RPR*

FROM : DIVISION OF WATER AND WASTEWATER (REDEMANN) *BBM*

RE : DOCKET NO. 941044-WS; RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF CHARLOTTE COUNTY DECLARING CHARLOTTE COUNTY SUBJECT TO THE PROVISIONS OF CHAPTER 367, F.S. - REQUEST FOR EXEMPTION FOR WATER AND WASTEWATER SERVICE BY KNIGHT ISLAND UTILITIES, INC.

Attached please find a letter dated August 28, 1995 from Mr. Robert L. Underwood, attorney for Knight Island Utilities, Inc. in the above docket file.

Five extra copies are attached for the Commissioners' files.

ACK _____
AFA _____
APP _____
CAF _____
CMU _____
CTR _____
EAG _____
LEG _____
IN 5 _____
JPC _____
KCH _____
SEC 1 _____
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#PSC-RECORDS/REPORTING

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CARL A. BERTOCH
(MEMBER FLORIDA AND OHIO BARS)

OF COUNSEL
ROBERT L. UNDERWOOD, III
(MEMBER D.C. BAR ONLY)

August 28, 1995
HAND DELIVERED

Richard Redemann
Public Service Commission
State of Florida
Tallahassee, Florida 33946

RE: Knight Island Utilities, Inc.
Docket No. 941044-WS

Dear Mr. Redemann:

Pursuant to your request of June 27, 1995, (and extensions of time to reply) we submit the following:

1. Copy of By-Laws for Knight Island Utilities, Inc. with original secretary's certification
2. As to proof of ownership of land, the utility has been using land owned by the Developer. It is the intent of the utility to have this land transferred to them as soon as a legal description can be completed. A recorded copy of that deed will be furnished as soon as possible.

Please contact me concerning any questions relating to the above.

Respectfully submitted,



Robert L. Underwood

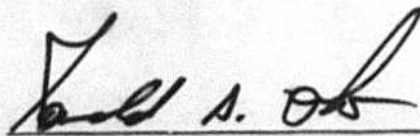
Enclosure
cc: Knight Island Utilities, Inc.

KNIGHT ISLAND UTILITIES INC.

CERTIFICATION BY CORPORATE SECRETARY

I hereby certify that the attached By-Laws are all true and correct copies for Knight Island Utilities Inc., a Florida Non-for Profit Corporation, and are still in full force and effect and have not been amended.

DATED: _____



Secretary

(Corporate Seal)

STATE OF FLORIDA)
 SS
COUNTY OF CHARLOTTE)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by Ronald S. Dubin, of Knight Island Utilities Inc. who is personally known to me or who has produced _____ as identification and who did take an oath and executed the foregoing Certification on behalf of said Corporation .

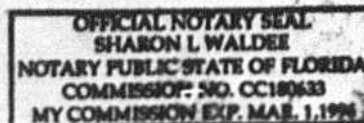
My Commission Expires: _____

(Notary Seal)

Notary: Sharon L. Waldee

Print Name: Sharon L. Waldee
Notary Public, State of Florida # _____

This instrument was prepared by: Robert L. Underwood, III
Carl A. Bertoch, P.A.
537 East Park Avenue
Tallahassee, Florida 32301



BY-LAWS

OF

KNIGHT ISLAND UTILITIES, INC.

ARTICLE I

GENERAL PURPOSES

The purposes for which this Corporation is formed, and the powers which it may exercise are set forth in the Charter of the Corporation.

ARTICLE II

NAME AND LOCATION

SECTION 1: The name of this Corporation is Knight Island Utilities Inc.

SECTION 2. The principal office of this Corporation shall be located in Palm Island, Florida, but the Corporation may maintain offices and places of business at such other places within the State as the Board of Directors may determine.

ARTICLE III

SEAL

SECTION 1. The seal of the Corporation shall have inscribed thereon the name of the corporation and the year of its organization, and shall contain the words, "Corporation Not For Profit".

SECTION 2: The Secretary of the Corporation shall have custody of the seal.

SECTION 3: The seal may be used by causing it or a facsimile thereof to be impressed or reproduced or otherwise affixed to a document.

ARTICLE IV

FISCAL YEAR

The fiscal year of the Corporation shall begin the first day of July in each year.

ARTICLE V

MEMBERSHIP

SECTION 1: The holders of membership certificates of this Corporation are its members. Any person having reasonable access to the sources of and who is in need of water, sewer, or other services operated by the Corporation and who receives the approval of the Board of Directors may be admitted to membership upon subscribing for or otherwise acquiring a membership certificate and by signing other such agreements for service as may be provided and required by the Corporation; provided that no person shall be entitled to service who is not a member, and no person otherwise eligible shall be permitted to subscribe for or acquire, a membership certificate of the Corporation if the capacity of the Corporation's water and/or sewer system is exhausted by the needs of its existing members. There shall be no membership fee as such, provided that the Corporation may charge initial connection and other fees upon the issuance or acquisition of each membership certificate.

SECTION 2: Each connection for the services rendered by the Corporation, or upon the signing of a contract for service hookups to be completed in the future, shall entitle the subscriber for such connection to one membership certificate for each service connection.

SECTION 3: At any meeting of the members of the Corporation, each member shall be entitled to one vote upon each matter submitted to a vote; provided the member is in good standing for all certificates held.

SECTION 4: In case of the death of a member, or if a member ceases to be eligible for membership, or any member willfully fails to comply with the By-Laws, or Rules and Regulations of the Corporation, the Board of Directors may terminate his membership by resolution of the Board. A transfer by a member of all membership certificates held by such member shall terminate such member's membership. Any member whose membership is terminated for cause, other than ceasing to be eligible, may appeal the action of the Board of Directors to the members at their next regular or special meeting. Thereafter such member shall be reinstated by the issuance of a new membership certificate only upon such conditions as the Board of Directors may deem necessary or appropriate. Termination of such membership shall result in a disconnection of water and sewer service to the member. Termination shall not result in forfeiture of a member's entitlement to any patronage refund resulting from status as a member pursuant to Article XII of these By-Laws. However, any such refund shall have deducted from it any debt or obligation owed the Corporation by the member.

ARTICLE VI

MEMBERSHIP CERTIFICATES

SECTION 1: This Corporation shall not have capital stock, but membership shall be represented by membership certificates.

SECTION 2: A membership certificate shall be a copy of the Application for Service that has been accepted by the Corporation and that shall have the following statements affixed thereto:

"Membership Certificate

In

Knight Island Utilities Inc.

A not-for-profit corporation incorporated
under the laws of the State of Florida

This is to certify that _____ Address: _____ is a member of Knight Island Utilities Inc. and is entitled to its services at the foregoing address subject to the provisions of the Charter, By-Laws, and Rules and Regulations of the Corporation.

This membership certificate is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the Charter, By-Laws of the Corporation, and amendments to the same heretofore or hereafter made.

Transfers of membership certificates shall be made only upon the books of the Corporation, only to persons eligible to become members, only with the approval of the Board of Directors and only when the member transferring is free from indebtedness to the Corporation, all as more fully set forth in the Charter and By-Laws of the Corporation.

Each member of this Corporation shall be entitled to one vote at the meeting of the members. Every member upon becoming a member of this Corporation agrees to sign such agreement for the purchase of water and/or sewer from the Corporation.

Witness the seal of the Corporation and the signature of its duly authorized officers affixed this ____ day of _____, 19____.

Secretary

President"

SECTION 3: All transfers of membership certificates shall be made upon the books of the Corporation upon surrender of the certificates covering the same by the holders thereof or by their legal representatives but only with the approval of the Board of Directors and only to persons eligible to become members and only when the transferring member is free from indebtedness to the Corporation.

SECTION 4: Each member agrees to sign such other Water Users and/or Wastewater Service Agreements at the Corporation shall from time to time provide and require.

SECTION 5: Certificates not surrendered by members upon termination of membership in the Corporation shall be declared void by the Board of Directors, and upon adoption of such a resolution by the Board, the Secretary shall so note on the books of the Corporation and thereafter such membership certificate shall be void. Lost certificates may be reissued upon direction and upon such conditions as the Board of Directors may determine.

ARTICLE VII

MEETINGS OF MEMBERS

SECTION 1: The annual meeting of the members of this Corporation shall be held at Palm Island, Florida, on Thursday, the Third Week of August of each year, if not a legal holiday, or if a legal holiday, on the next business day following. The place and time of the annual meeting may be changed by the Board of Directors giving notice thereof to each member not less than ten days in advance thereof.

SECTION 2: Special meetings of the members may be called at any time by the action of the Board of Directors and such meeting must be called by the President whenever a petition requesting such meeting is signed by at least ten percent of the members and presented to the President or to the Board of Directors. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted except such as is specified in the notice.

SECTION 3: Notice of any special meeting of members of the Corporation may be given by notice, not less than three nor more than thirty days prior to the meeting. Such a notice shall state the day and hour, place and purpose of the special meeting. No notice of the annual meeting shall be required.

SECTION 4: Each member shall have only one vote upon each matter submitted to a vote at a meeting of the members and the vote of each member shall be equal to that of every other member. Voting by proxy shall be permitted. The members present, in person or by proxy, shall constitute a quorum for the transaction of any business.

Section 5: Directors of this Corporation shall be elected at the annual meeting of the members. No cumulative voting shall be allowed.

SECTION 6: The order of business at the regular meetings and, so far as possible at all other meetings, shall be:

1. Calling to order and report of Secretary as to number.
2. Proof of notice of meeting, if required.
3. Reading and action on any unapproved minutes.
4. Reports of officers and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE VIII

DIRECTORS AND OFFICERS

SECTION 1: The business and affairs of the Corporation shall be managed by the Board of Directors. The Board of Directors of this Corporation shall consist of three members. At each annual meeting, the members of the Corporation shall elect for a term of one year, the number of directors whose terms of office have expired. No person shall be eligible to become or remain a Director of the Corporation who:

(a) is not a member of the Corporation;

(b) is a relative of a Director. "Relative" here shall mean an individual who is related to another Director as father, mother, son, daughter, brother, sister, uncle, aunt, first cousins, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half

brother or half sister. Directors who are relatives, as defined herein, at the time this By-Law is enacted, shall be entitled to remain in office for the balance of the terms.

A person who is an officer, trustee, general partner or managing member of a legal entity that is a member shall be eligible to be a Director.

In the event two or more relatives are simultaneously elected to the Board, all relatives, with the exception of the individual receiving the largest number of votes shall be disqualified from the election and the seat vacated by the disqualification shall be awarded to the non-relative with the next largest number of votes.

SECTION 2: The Board of Directors shall meet within ten days after the annual election of Directors and shall elect a President and Vice-President from among themselves and a Secretary and a Treasurer, each of whom shall hold office until the next annual meeting and until election and qualification of his successor unless sooner removed by death, resignation or for cause.

SECTION 3: If the office of any Director becomes vacant by reason of death, resignation, retirement disqualification or otherwise, except by removal from office, a majority of the remaining directors, though less than a quorum shall, by a majority vote, choose a successor who shall hold office until the next regular meeting of the members of the Corporation at which time the members shall elect a director for the unexpired term of terms, provided that in the call of such regular meeting, a notice of such election shall be given.

SECTION 4: A majority of the Board of Directors shall constitute a quorum at any meeting of the Board.

SECTION 5: Compensation of officers may be fixed at any regular or special meeting of the Board of Directors.

SECTION 6: Officers and directors may be removed from office for good cause in the following manner. Any member, officer or director may present charges against a director or officer by filing them in writing with the Secretary of the Corporation. If presented by a member, the charges must be accompanied by a petition signed by ten percent of the members of the Corporation.

Such removal shall be voted on at the next regular or special meeting of the members present. The director or officer against whom such charges have been presented shall be informed, in writing, of such charges five days prior to the meeting; the person or persons presenting such charges shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses and the person against whom the charges are made shall have the same opportunity. If the removal of a director is approved, such action shall also vacate any other office held by the removed director in the Corporation. A vacancy in any office thus created shall be filled by the directors from among their number so constituted after the vacancy in the Board has been filled. A Director cannot miss more than 1/4 (25%) of total regular meetings unless due to special circumstances. Said director may be reinstated for good cause shown. If a director is absent four (4) or more regular board meetings in succession, he or she will be disqualified and will be automatically removed from office. In this case, the said director may or may not be reinstated by action of the Board of Directors.

SECTION 7: Every Director and Officer of the Company shall be indemnified by the Company to the full extent permitted by law against all expenses and liabilities, including attorney's fees reasonably incurred by or imposed upon him/her, in connection with any proceedings or any settlement thereof, regardless of whether the acts leading to such proceedings occurred before or after the date of adoption of this By-Law, to which he/she may be a party or in which he/she may become involved by reason or his/her being or having been a Director or Officer at the time such expenses are incurred, except in such cases where the Director or Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his/her duties; provided, that all settlements must be approved by the Board of Directors as being in the best interests of the Corporation.

SECTION 8: No Director, Officer or employee of the Corporation to whom authority to employ, promote or advance individuals has been delegated, shall employ, promote, or advance, in or to a position in the Corporation, any individual who is a relative (as defined in Article VIII, Section 1, herein) of the Officer, Director or employee.

ARTICLE IX

DUTIES OF DIRECTORS

SECTION 1. The Board of Directors subject to restrictions of law, the Charter, or these By-Laws, shall exercise all of the powers of the corporation, and without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board of Directors shall have, and are hereby given, full power and authority (to be exercised by resolution duly adopted by the Board) in respect to the matters as herein after set forth:

A. To pass upon the qualifications of members, and to cause to be issued appropriate certificates of membership.

B. To select and appoint all officers, agents, or employees of the Corporation or remove such agents or employees of the Corporation for just cause, prescribe such duties and designate such powers as may not be inconsistent with these By-Laws, fix their compensation and pay for faithful services.

C. To borrow from any source, money, goods or services and to make and issue notes and other negotiable and transferable instruments, mortgages, deeds of trust, and trust agreements and to do every act and thing necessary to effectuate the same.

D. To prescribe, adopt and amend, from time to time, such equitable uniform rules and regulations as, in their discretion, may be deemed necessary, or convenient for the conduct of the business and affairs of the Corporation and the guidance and control of its officers and employees, and to prescribe penalties for the breach thereof.

E. To cause at least once each year, financial statements to be prepared for the Corporation by a certified public accountant. The report prepared by such accountant shall be submitted to the members of the Corporation at their annual meeting, together with a proposed budget for the ensuing year. Copies of such financial statements shall be submitted to any parties as may be required by other agreements.

F. To fix the charges, rates and connection fees, to be paid by each member for services rendered by the Corporation to him, the type of payment and the manner of collection, provided, however, that no rate shall be set for non-residential members that exceeds the residential rate by ten percent.

G. To require all officers, agents and employees charged with responsibility for the custody of any of the funds of the Corporation to give adequate bonds the cost thereof to be paid by the Corporation, and it shall be mandatory upon the directors to so require.

H. To select one or more banks or savings and loan associations, to act as depositories of the funds of the Corporation and to determine the manner of receiving, depositing and disbursing the funds of the Corporation and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks or savings and loan associations and the person or persons signing such checks and the forms thereof at will, except that no bank or savings and loan association may be so designated unless such deposits are protected by an agency of the United States of America, such as the Federal Deposit Insurance Corporation or similar agency.

I. To acquire, sell, merge the Corporation, or the utility systems operated by the Corporation, with another utility company or system that has facilities or operations within Charlotte County, Florida.

ARTICLE X

DUTIES OF OFFICERS

SECTION 1: Duties of President: The President shall preside over all meetings of the Corporation and the Board of Directors, call special meetings of the members and of the Board of Directors, perform all acts and duties usually performed by an executive and presiding officer, and sign all memberships certificates and such other papers of the Corporation as he may be authorized or directed to sign by the Board of Directors, provided the Board of Directors may authorize any person to sign any or all checks, contracts and other instruments in writing on behalf of the Corporation. The President shall perform such other duties as may be prescribed by the Board of Directors.

SECTION 2: Duties of the Vice-President: In the absence or disability of the President, the Vice-President shall perform the duties of the President, provided however, than in case of death, resignation or disability of the President, the Board of Directors may declare the office of President vacant and elect a successor.

SECTION 3: Duties of the Secretary: The Secretary shall keep a complete record of all meetings of the Corporation and of the Board of Directors and shall have general charge and supervision of the books and records of the Corporation. He shall sign all membership certificates with the President and such other papers pertaining to the Corporation as he may be authorized or directed to do so by the Board of Directors. He shall serve all notices required by law and by these By-Laws and shall make a full report of all matters and business pertaining to this office to

the members at the annual meeting. He shall keep the corporate seal and membership certificates, records of the Corporation, complete and counter sign all certificates issued and affix said corporate seal to all papers requiring seal. He shall keep a proper memberships certificate record, showing the name of each member of the Corporation, address and date of issuance, surrender, cancellation or forfeiture. He shall make all reports required by law and shall perform such other duties as may be required of him by the Corporation of the Board of Directors. Upon the election of his successor, the Secretary shall turn over to him all books and other property belonging to the Corporation that he may have in his possession.

SECTION 4: Duties of the Treasurer: He shall perform such duties with respect to the finances of the Corporation as may be prescribed by the Board of Directors.

SECTION 5. Nothing herein shall prevent a person from holding more than one office in the Corporation.

ARTICLE XI

BENEFITS AND DUTIES OF MEMBERS

SECTION 1: The Corporation will install, maintain and operate a main distribution pipe line or lines from the source of water supply and service lines from the main distribution pipe line or lines to the property line of each member qualifying for water service from the Corporation for each membership certificate held by such member at which points, (designated as delivery points), meters shall be installed, owned and maintained by the Corporation. The cost of the service line from its main distribution line or lines, shall be paid by the Corporation. While the member will pay a fee for setting the meter, the Corporation will retain title to the meter. The Corporation will also purchase and install a cut-off valve to be owned and maintained by the Corporation and to be

installed on some portion of the service line owned by the Corporation. The Corporation shall have the sole and exclusive right to use such cut-off valve to turn it on and off.

SECTION 2: Each member shall be entitled to purchase from the Corporation, pursuant to such agreements as may from time to time be provided and required by the corporation, such water for domestic, commercial or other purposes as a member may desire, subject, however, to the provisions of the By-Laws, agreements entered into by the Corporation as to system useages, the irrigation rules of the utility and to such rules and regulations as may be prescribed by the Board of Directors. Each member shall be entitled to have delivered to him through a single service line for each memberships certificate only such water as may be necessary to supply the needs of such member, including his family or business requirements. The water delivered through each service line shall be metered and the charges for such water shall be determined separately, irrespective of the number of service liens owned by a member.

SECTION 3: In the event the total water supply shall be insufficient to meet all of the needs of the members or in the event there is a shortage of water, the Corporation may pro-rate the water available among the various members on such basis as is deemed equitable by the Board of Directors, and may also prescribe a schedule of hours covering the use of water provided, however, that if at any time the total water supply be insufficient to meet all of the needs of all of the members, the Corporation must first satisfy all of the members for domestic purposes before supplying any water for irrigation purposes and must also satisfy all of the needs of all of the members for any water on the basis of no discrimination between non-residential and residential use.

SECTION 4: The Board of Directors shall be authorized to require each member to enter into a Water Users and/or Wastewater Service Agreement which shall embody the principles set forth in the foregoing sections of this article.

SECTION 5: The Corporation may install, buy, maintain, supervise and operate one or more sewer plants within the Knight Island Utilities, Inc. franchise area in a lawful manner. Each

member shall be entitled to purchase sewer service from the Corporation, pursuant to such agreements as may, from time to time, be provided and required by the Corporation subject, however, to availability, proximity to sewer facilities, the provisions of these By-Laws and such Rules and Regulations as may be prescribed by the Board of Directors. Each member receiving only sewer service shall be entitled to the same benefits as members receiving water service. The corporation will install, maintain and operate the main collection and transmission lines connecting the customer service lines to the treatment and disposal facilities operated by the Corporation.

ARTICLE XII

NOT-FOR-PROFIT CORPORATION

SECTION 1: The Corporation shall at all times be operated on a cooperative, not-for-profit, basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its members.

SECTION 2: In the furnishing of water, sewer and other services, the Corporation's operations shall be so conducted that all members will, through their patronage, furnish capital for the Corporation. In order to induce patronage and to assure that the corporation will operate on a not-for-profit basis, the corporation is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of water, sewer, or other services in excess of operating costs and expenses properly chargeable against the furnishing of such services. All such amounts in excess of operating costs and expenses (including reserves) at the moment of receipt by the Corporation are received with the understanding that they are furnished by the members as capital.

The Corporation is obligated to pay by credits to a capital account for each member, all such amounts in excess of operating costs and expenses. The books and records of the

Corporation shall be set up and kept in such a manner that, at the end of each fiscal year, the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Corporation shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to his account; provided that individual notices of such amounts furnished by each member shall not be required if the Corporation notifies all members of the aggregate amount of such excess and provides a clear explanation of how each member may compute and determine for himself the specific amount of capital so credited to him. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Corporation corresponding amounts for capital. To the extent that no excess amounts exist, there is no obligation to maintain capital accounts.

SECTION 3. All amounts received by the Corporation from its operations on or prior to June 30, 1995, in excess of costs and expenses (including reserves) and not used to offset losses prior years shall be allocated equally to the members as of June 30, 1995, and any amount so allocated shall be credited to the capital accounts of such members.

SECTION 4. All other amounts received by the Corporation from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its members on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of members, a herein provided.

SECTION 5: In the event of dissolution or liquidation of the Corporation, after all its outstanding indebtedness shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Corporation will not be impaired thereby, the capital then credited to members' accounts and the accounts of former members may be retired in full or in part. Any

such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Corporation being first retired.

SECTION 6: Capital credited to the account of each member shall be assignable only on the books of the Corporation pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such member's premises served by the Corporation unless the Board acting under policies of general application, shall determine otherwise.

SECTION 7: Notwithstanding any other provision of these By-Laws, the Board of Directors at its discretion, shall have the power at any time upon the death of any member, if the legal representatives of the member's estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these By-Laws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Corporation will not be impaired thereby.

SECTION 8: The members of the Corporation, by dealing with the Corporation, acknowledge that the terms and provisions of the Articles of Incorporation and B-Laws shall constitute and be a contract between the Corporation and each member, and both the Corporation and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the By-Laws shall be called to the attention of each member of the Corporation by posting in a conspicuous place in the Corporation's office.

ARTICLE XIII
DISTRIBUTION OF SURPLUS FUNDS UPON DISSOLUTION

SECTION 1: Upon the corporation's dissolution, after (a) All debts and liabilities of the Corporation shall have been paid, and (b) All capital furnished through patronage shall have been retired as provided in these By-Laws, the remaining property and assets of the Corporation shall be distributed without priority among the members and former members in the proportion which the patronage of each member or former member from and after July 1, 1995, bears to the total patronage of all members and former members from and after such date, to the date of such dissolution; provided that before making such distribution, if any gain is realized upon dissolution from the sale of any appreciated asset, such gain shall be distributed to all persons who were members during the period the asset was owned by the Corporation in the proportion each such member's patronage bears to the total patronage of all members during such period.

ARTICLE XIV
AMENDMENTS TO BY-LAWS

SECTION 1: These By-Laws may be repealed or amended by a vote of a majority of the members present at any regular meeting of the Corporation, at which a quorum is present, or at any special meeting of the Corporation called for that purpose, notice of which was given in advance of such meeting. These By-Laws may also be amended or repealed at any meeting of the Board of Directors by the affirmative vote of not less than a majority of the Directors present at a meeting at which a quorum is present, provided notice of such meeting (unless waived by consent) containing a copy of the proposed amendment shall have been given to the Directors not less than five nor more than ninety days prior thereto; provided, however, that the Board of Directors shall not have the power to alter, amend, or repeal provisions of these By-Laws or adopt new By-Law provisions directly relating to the election of the Board of Directors. Any By-

Law provision adopted by the Board of Directors may be altered, amended or repealed and new provisions adopted by the members in the manner set forth above. The members may prescribe that any By-Law provisions adopted by them shall not be altered, amended or repealed by the Board of Directors.