

**BYLAWS
OF THE
CHESAPEAKE RANCH WATER COMPANY**



October 16, 2025

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1.0 ORGANIZATION

The Chesapeake Ranch Water Company (hereinafter, "Company") shall be a non-profit corporation and shall operate a potable-water utility, except that it shall operate "not for gain," owned by the subscribers it serves and, thus, shall not be subject to the jurisdiction of the Maryland Public Service Commission.

2.0 MISSION

The Company is committed to providing safe, high-quality portable water services to our community that comply with safe-water standards established by the U.S. Environmental Protection Agency and the Maryland Department of the Environment, while maintaining a standard of excellence in customer service and environmental conservation.

3.0 OFFICES

The principal office of the Company shall be at 11560 H.G. Trueman Road, Lusby, Maryland 20657. The Company may have offices at such other places as the Board may from time to time establish.

4.0 SUBSCRIPTIONS

4.1 Definitions

4.1.1 *Property owner.* An individual or corporation whose name appears on the properly Recorded title to a real-estate property served by the Company.

4.1.2 *Service area.* All real-estate properties owned by subscribers of the Company that may be feasibly served by the common distribution system, as determined solely by the Company; the service area must be within the boundaries of the franchise area, which is specified by county and state documents.

4.1.3 *Subscriber.* A titled owner of real-estate property within the service area of the Company that has paid fees for a subscription and has the right to receive water service. Subscribers include:

4.1.3.1 Residential water subscribers

4.1.3.2 Commercial water subscribers

4.1.3.3 Condominium owners metered in common with other condominium owners

4.1.3.4 Titled owners of real-estate property who paid a subscription fee for that property but who have not connected to the Company's common distribution system.

4.1.4 *Subscriber in Good Standing.* A subscriber who is not in arrears to the Company for fees or other charges.

4.2 Stakeholders

4.2.1 *Subscribers.* See paragraph 4.1.3 above.

4.2.2 Board of Directors. Nine subscribers elected by Company subscribers to provide oversight, planning, and direction to the Company. These positions carry fiduciary responsibilities to ensure that all decisions are in the best interest of subscribers and the Company.

4.2.3 Company. The organization responsible for the operation and administration of water services provided to subscribers, including the day-to-day operations supervised by a General Manager, who is responsible to the subscribers via the Board of Directors.

4.3 Subscription Conditions

4.3.1 Only one representative person per real-estate property eligible for water service from the Company shall have subscription rights.

4.3.2 Each real-estate property served by the Company shall represent only one subscription regardless of the number of titled owners of that property.

4.3.3 The Company shall not have a contractual relationship establishing water rights or responsibility for service with any person not properly recorded as the titled owner at any real-estate property served by the Company; obligations for payment of water bills or any fees shall be the sole responsibility of the subscriber.

5.0 SUBSCRIBER RIGHTS AND OBLIGATIONS

5.1 Final approval of a subscription is contingent on a determination by the Company that the real-estate property subject to the subscription can be feasibly and practicably served by the common distribution system; if found by the Company to be feasible, payment of the subscription fee must be made before service is provided.

5.2 Final approval of a subscription by the Company obligates the Company to serve the subscribed property, and obligates the subscriber to receive service from the Company pursuant to the bylaws, policies, and rules of the Company.

5.3 A subscriber with multiple subscriptions shall be entitled to only one vote at any regular or other meeting of subscribers, in any ballot process, or in any process involving the election of Directors, regardless of the number of water subscriptions owned.

5.4 The right to subscribe shall not be subject to any practice of discrimination prohibited by law, or inconsistent with conditions established by creditor agencies.

6.0 MEETINGS

6.1 Annual Subscriber Meeting

6.1.1 There shall be an annual meeting of subscribers to receive reports from the Board of Directors on the operations and financial status of the Company, and to count and report the ballot results of the election of Directors.

6.1.2 The annual meeting of subscribers shall be scheduled each year for the month of September, and held at such time and place as may be designated by the Board of Directors.

6.1.3 Written notice of the annual meeting shall be mailed to each subscriber's address as it appears on the records of Company, at least fifteen calendar days prior to the meeting; the notice may be included with the August and/or September waterbill or sent in a separate mailing.

6.1.4 The annual-meeting notice shall notify subscribers that they may place an item on the agenda for the annual meeting by notifying the President of the item in writing at least five calendar days before the meeting.

6.2 Special Meetings of Subscribers

6.2.1 The President shall call special meetings of subscribers when presented with a written request signed by at least 75 subscribers.

6.2.2 A notice stating the date, time, and location of the special meeting, and a general description of the business to be addressed at the meeting, shall be sent to each subscriber's address as it appears in the records of the Company, at least fifteen calendar days prior to the meeting.

6.3 Quorum of Subscribers

The presence of at least five percent (5%) of the subscribers shall be necessary to institute a quorum for the conduct of any business at an annual meeting or special meeting of subscribers.

7.0 BOARD OF DIRECTORS

7.1 Duties and Responsibilities of the Board of Directors –

7.1.2 The duties of the Board of Directors are both legal and fiduciary, including, but not limited to, ensuring a sustainable supply of safe, high-quality potable water to all subscribers at a reasonable cost through the prudent use of all available Company assets.

7.1.3 The responsibilities of the Board of Directors are to establish policies in compliance with these bylaws and provide guidance for the operation of the Company; specific responsibilities include, but are not limited to, reviewing and approving: water-service rates and fees; audit and water-quality reports; the annual operating budget; the annual capital budget, capital plans, and outyear capital projections; monthly updates on operating-budget and capital-budget performance; Company personnel practices, including employee compensation; employment of management personnel, including a General Manager; hiring consultants; financial plans and policies, including funding and borrowing; investment plans and policies; standing and temporary committees; contingency plans; reorganization plans; and bylaw amendments.

7.1.4 The Board of Directors shall be responsible for reviewing its policies on a regular basis.

7.2 Qualifications

7.2.1 A nominee for the Board of Directors must be a Subscriber in Good Standing as defined in Section 4.1.4 of these bylaws.

7.2.2 Nominations for open Director positions may be made by any qualified subscriber.

7.3 Construction and Terms of the Board of Directors

7.3.1 The Board of Directors shall consist of nine Directors.

7.3.2 Directors shall be elected for terms of three years, staggered so that one-third of the Directors are elected each year.

7.3.3 Directors shall assume their duties as of the date of their election.

7.3.4 A vacancy on the Board of Directors, regardless of the cause, shall be filled by appointment by a majority vote of the remaining Directors present, and the newly appointed Director shall serve the remaining term of the Director being replaced; the appointment shall take place, and be appropriately recorded, at a regular or special meeting of the Board of Directors.

7.4 Remuneration for Directors

Directors shall serve as volunteers without compensation, except they may receive compensation for reasonable expenses related to the performance of their duties, including

attending training related to their duties.

7.5 Election of Directors

7.5.1 Three Directors shall be elected each year.

7.5.2 Subscribers shall be notified of the election of Directors and requested to nominate candidates to the open Director positions by first-class bulk mail during the month of July; the notification of elections and request for nominations may be included with the July water bill or sent in a separate mailing, and shall be mailed to each subscriber's address as it appears on the records of the Company.

7.5.3 Written nominations for the open Directors positions must be received at the Company's principal office no later than 4:00 p.m. on the third Friday in August, accompanied by a brief résumé of the nominee suitable for publication with the ballot.

7.5.4 Paper ballots for the election of Directors shall be mailed to each subscriber by first-class bulk mail at least fifteen days prior to the annual subscriber meeting, and only enumerated ballots or ballots with some other form of verification approved by the Board of Directors shall be considered valid; ballots may be included with the monthly water bill or sent in a separate mailing, and shall be mailed to each subscriber's address as it appears on the records of the Company.

7.5.5 Completed ballots for the open Director positions must be received at the Company's principal office no later than 4:00 p.m. on the day before the annual subscriber meeting; mailed ballots must be placed in a secure, locked ballot box located in the Company's principal office by the Company agent collecting the mailed ballots or, in the case of hand-delivered ballots, placed in a secure, locked ballot box by the individual delivering the ballot.

7.5.6 Ballots shall be counted prior to the annual subscriber meeting by a team of three Directors who are not candidates for the open Director positions, and selected by the Board of Directors at the August Board of Directors meeting; the team shall elect a chair, who shall announce the results of the election at the annual subscriber meeting.

7.5.7 If there is only one nomination for each open Director position, paper ballots shall not be mailed to subscribers, and the nominees will be declared duly elected at the annual subscriber meeting by acclamation of the President or presiding officer.

7.6 Meetings of the Board of Directors

7.6.1 Regular meetings of the Board of Directors shall be held at least once each calendar quarter at a date, time, and location determined by the Board of Directors.

7.6.2 Special meetings of the Board of Directors may be called by the President or on the written request of three Directors, with notice provided to all Directors electronically or by telephone at least 72 hours prior to the meeting.

7.6.3 Subscribers may attend regular and special meetings, but not executive meetings, of the Board of Directors.

7.6.4 Notices of the date, time, and location of regular and special meetings of the Board of Directors shall be posted in a conspicuous place in the common area of the principal office of the Company at least seventy-two hours prior to the meeting. Whenever personal written notice of meetings of the Board of Directors is required by governmental regulation, such notice shall be deemed sufficient by depositing the notice in a post office box, properly stamped, and addressed to the address as it appears on the records of the Company for the addressee or sending the notice electronically to the email address as it appears on the records of the Company; notice shall be

deemed to have been given at the time of such mailing.

7.6.5 An executive session/meeting may be called by the President, or on the written request of three Directors, to consider legal issues, subscriber issues that require privacy, or personnel issues.¹

7.6.6 The President may call an executive session without prior notice to the Directors at any meeting of the Board of Directors if at least six Directors are present; if six Directors are not present, or if three Directors submitted a written request for the executive session, the Directors must be notified of date, time, and location of the executive session electronically or by telephone at least 24 hours prior to the scheduled time of the session.

7.6.7 Directors may attend meetings of the Board of Directors, whether regular, special, or executive meetings, either in person or by electronic means.

7.7 Right to Dissent

A Director who is present at a meeting of the Board of Directors at which a vote is taken on a corporate matter may have the Secretary enter his/her approval/disapproval of the matter in the minutes of the meeting prior to approval of the minutes by the Board of Directors.

7.8 Quorum of the Board of Directors and Majority Vote

At least five Directors must be present at all times to constitute a quorum for transacting any business at a regular, special, or executive meeting of the Board of Directors. Upon establishment of a quorum, motions shall be approved by a vote of the majority of Directors present unless specified otherwise by a provision of these bylaws.

7.9 Resignation and Removal from the Board of Directors

7.9.1 Any Director or officer may resign from the Board of Directors at any time by submitting the resignation in writing to the President or Secretary of the Board of Directors, with the resignation taking effect on the date it is received, unless some other date is specified in the resignation; approval of the resignation by the Board of Directors shall not be necessary for it to be effective.

7.9.2 The Board of Directors may consider removing a Director from the Board of Directors for failure to fulfill his/her duties and responsibilities as specified by these bylaws, including, for example, by repeatedly missing meetings of the Board of Directors without a reasonable excuse. A majority vote of the remaining Directors is required to remove a Director from the Board of Directors.

8.0 OFFICERS OF THE BOARD OF DIRECTORS

8.1 Officers

8.1.1 The officers of the Board of Directors shall be a President, Vice President, Secretary, and Treasurer, and shall be elected by the majority of Directors present. Other officers and assistant officers may be elected or appointed by the Board of Directors as they deem necessary.

8.1.2 Officers shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held on the same day as the annual meeting of subscribers; each officer shall assume his/her office on the date of election, and will hold office until they resign, die, or are

¹An executive session is held during, and is contiguous with, a regular or special meeting of the Board of Directors, while an executive meeting is a stand-alone meeting of the Board of Directors separate and distinct from a regular or special meeting of the Board of Directors.

removed as specified by the following provision.

8.1.3 Any officer or agent elected or appointed by the Board of Directors may be removed and replaced by the majority of the Board of Directors present whenever, in the judgment of these Directors, the best interests of the Company would be served thereby, but such removal shall be without prejudice to their contract rights as a subscriber of the Company.

8.2 Duties and Responsibilities of Officers

8.2.1 *President.* The President is the chief executive officer of the Company, subject to the direction of the Board of Directors, and shall have the following duties and responsibilities:

8.2.1.1 Have general charge of the business affairs and property of the Company, and shall have the authority, as may be directed by the Board of Directors, to appoint, supervise, discharge and fix the compensation of all employees and agents of the Company and to disburse the funds of the Company, taking proper voucher for such disbursements, and shall render to the Board of Directors an account of these transactions when so directed by the Board of Directors.

8.2.1.2 Sign deeds, mortgages, notes, documents, contracts, or other instruments as authorized by the Board of Directors.

8.2.1.3 Be responsible for setting the time and agenda for regular and special meetings of the Board of Directors, and for the orderly conduct of such meetings.

8.2.1.4 Be the Board of Director's primary point of contact with the General Manager, and responsible for communicating directives of the Board of Directors to the General Manager.

8.2.1.5 With the approval of the Board of Directors, set the terms of the General Manager's contract for employment and, after consultation with the Board of Directors, annually evaluate the General Manager's performance and convey the results of the evaluation to the General Manager and the Board of Directors.

8.2.1.6 Perform all duties and responsibilities incident to the office of the President, and such other duties and responsibilities as may be prescribed by the Board of Directors.

8.2.2 *Vice President.* The Vice President is subject to the direction of the President and the Board of Directors, and shall have the following duties and responsibilities:

8.2.2.1 In the absence of the President, the Vice President shall perform the duties, and have the responsibilities, of the President specified by these bylaws. Should the Vice President be unavailable to assume these duties and responsibilities, the Secretary or Treasurer, in that order, shall assume these duties and responsibilities.

8.2.2.3 Perform all duties and responsibilities incident to the office of the Vice President, and such other duties and responsibilities as may be prescribed by the President or the Board of Directors.

8.2.3 *Secretary.* The Secretary is subject to the direction of the President and Board of Directors, and shall have the following duties and responsibilities:

8.2.3.1 Keep minutes of the meetings held by subscribers and the Board of Directors.

8.2.3.2 Be responsible for the proper custody of documents involving the activities of the Board of Directors.

8.2.3.3 Prepare, and report to the subscribers attending the annual meeting, an affidavit attesting that proper notice of the annual meeting was mailed to subscribers as specified in Section 7.1.3 of these bylaws.

8.2.3.4 Sign deeds, mortgages, notes, documents, contracts, and other instruments approved by the Board of Directors.

8.2.3.5 Perform all duties and responsibilities incident to the office of the Secretary, and such other duties and responsibilities as may be prescribed by the President or the Board of Directors.

8.2.4 Treasurer. The Treasurer is subject to the direction of the President and Board of Directors, and shall have the following duties and responsibilities:

8.2.4.1 Be responsible for ordering audits of accounts and reporting the results of audits to the Board of Directors in accordance with these bylaws and the policies of the Board of Directors.

8.2.4.2 Sign deeds, mortgages, notes, documents, contracts, and other instruments approved by the Board of Directors.

8.2.4.3 Perform all duties and responsibilities incident to the office of the Treasurer, and such other duties and responsibilities as may be prescribed by the President or the Board of Directors.

9.0 MANAGEMENT OF THE COMPANY

9.1 Board of Directors

The Board of Directors shall be responsible for establishing and approving the policies for managing the Company, and shall exercise all powers authorized by law, the Certificate of Incorporation, and these bylaws to fulfill these responsibilities. Any revisions, additions, or deletions to policies must be approved by an affirmative vote of at least five (5) members of the Board of Directors.

9.2 General Manager

9.2.1 When the Board of Directors determines that it is in the best interest of the Company, it shall appoint a General Manager.

9.2.2 With the appointment of a General Manager, the President may delegate to the General Manager in writing some or all of the duties and responsibilities specified in Sections 8.2.1.1, and 8.2.1.2 of these bylaws. The General Manager shall serve at the discretion of the Board of Directors, and shall be bound by an employment contract specifying the terms of the General Manager's employment.

9.2.3 The General Manager shall have full authority over the field operations of the Company, and shall execute, at the direction of the Board of Directors, policies approved by the Board of Directors. The General Manager also shall execute those duties and responsibilities specified for him/her elsewhere in these bylaws, and by the President under Section 9.2.2 of these bylaws. An affirmative vote of at least five (5) members of the Board of Directors is required to reverse any action taken, or decision made, by the General Manager in the execution of his/her duties and responsibilities that is contrary to the policies established by the Board of Directors.

9.2.4 The General Manager shall have responsibility for maintaining the policies established and approved by the Board of Directors, and may recommend additions and revisions to these policies.

10.0 ADMINISTRATIVE POLICIES AND PROCEDURES OF THE COMPANY

10.1 Rates

10.1.1 The Board of Directors shall determine all rates including, but not limited to, the subscription fees, tap fees, and rates for water service.

10.1.2 Rates and fees shall be adequate to provide for cash expenditures and contingencies such as major repairs, replacements, and capital-improvement requirements.

10.1.3 Every effort shall be made to keep the rates at a level to meet cash expenditures and contingencies such as major repairs, replacements, and capital-improvement requirements.

10.2 Indemnification

10.2.1 The Board of Directors shall indemnify Directors and management officials² (and former Directors and management officials), his/her heirs, executors, and administrators, for reasonable expenses incurred by him/her in connection with any legal action, suit, or proceeding to which he/she is a party as a result of serving or having served as a Director or management official of the Company, except in matters for which he/she shall be finally adjudged in such action, suit, or proceeding to be criminally liable for negligence or misconduct; in the event of a settlement, indemnification shall be provided only in matters covered by the settlement when counsel advises the Board of Directors that the Director or management official who is the subject of the settlement did not commit a breach of duty.

10.2.2 Indemnification shall not be exclusive of other legal remedies to which the Director or management official may be entitled. The amount of indemnity shall be fixed by an affirmative vote of at least five (5) members of the Board of Directors; if such a vote is not attainable, the amount shall be fixed by arbitration pursuant to the existing rules of the American Arbitration Association.

10.3 Document Availability

10.3.1 *Minutes of Board of Directors Meetings.* Copies of the minutes of regular meetings of the Board of Directors shall be made available to subscribers upon request.

10.3.2 *Administrative Policies.* Administrative policies of the Company shall be made available to subscribers upon request.

10.3. *Employee Policies.* Employee policies shall not be made available to subscribers, but shall be made available to any employee of the Company upon request.

11.0 CAPITALIZATION

11.1 Expenditures. Any expenditure greater than \$2500.00 shall be capitalized.

11.2 Cash Reserves. The Company shall maintain adequate cash and cash-equivalent reserves to ensure fiscal stability and fund major repairs, replacements, and capital-improvement requirements, and to meet contingency requirements.

11.3 Reserve Accounts. The Board of Directors shall maintain the following reserve accounts and fund them in the following order of priority, with working capital having the highest priority. The Board of Directors shall direct any equity retained as cash in excess of working capital to these reserve accounts until these reserve accounts are fully funded as determined by the Board of Directors. If deficiencies develop in the reserve accounts, the Board of Directors may revise the priority by which funds are distributed to the reserve accounts; the Board of Directors also may consider issuing debt to replenish the reserve accounts.

11.3.1 *Working Capital.* To accommodate seasonal and other fluctuations in budgeted or non-budgeted expenses, working capital shall be held locally in checking, savings, money-market, or short-term certificate-of-deposit accounts; the target level for working capital reserves is

²For the purposes of these bylaws, the term “management officials” refers to the General Manager, Deputy General Manager, and Chief Operating Officer of the Company.

\$250,000, and these reserves must be held in U.S. Government-insured or State-insured accounts.

11.3.2 *Debt-Service Reserves.* The Board of Directors shall establish a debt-service reserves account funded at a level equal to 12 months of the debt-service requirement; debt-service reserves shall be held in U.S. Government-insured or State-insured accounts.

11.3.3 *Capital-Improvement Reserves.* The Board of Directors may establish a capital-improvement reserves account funded at a level consistent with the estimated cost of projects specified in short-range and long-range capital-improvement plans approved by the Board of Directors; capital-improvement reserves may be held in investment accounts approved by the Board of Directors.

11.3.4 *Investment Accounts.* Investment accounts established by the Board of Directors shall comply with the policies and procedures specified in the most recent edition of the Company's *Statement of Investment Policy* (see Exhibit A).

12.0 AMENDING THESE BYLAWS

The Board of Directors, by an affirmative vote of at least five (5) of the Directors, may amend these bylaws at any regular or special meeting of the Board of Directors, provided that notice of the proposed amendments has been given to each Director electronically or by telephone at least 72 hours before the meeting.

ATTACHMENT A

**CHESAPEAKE RANCH WATER COMPANY
STATEMENT OF INVESTMENT POLICY³**

ADOPTED MAY 18, 2023

³This document supersedes any prior Chesapeake Ranch Water Company document addressing its investment policies.

I. PURPOSE

This statement specifies the policies for the prudent investment of the Chesapeake Ranch Water Company's ("CRWC") capital cash reserves, as well as policies for maximizing the efficiency of the CRWC's cash-management system.⁴ The purpose of these policies is to (a) enhance the economic status of the CRWC while protecting its assets, and (b) provide for adequate capital expenditures to ensure that the primary responsibilities of CWRC, as stated in its charter, continue to be met for the benefit of its subscribers.

II. OBJECTIVES

- A. Safety. Safety of principal is the foremost objective of the CRWC. Each investment transaction shall seek to ensure that capital losses are avoided, whether they are from defaults in securities or erosion of market value.
- B. Liquidity. An adequate percentage of the portfolio, as specified in Section 19 of the CRWC Bylaws, should be maintained in liquid short-term securities, which can be readily converted to cash as necessary to meet cash requirements.
- C. Growth. Growth shall be considered only after the basic requirements of safety and liquidity have been met.
- D. Diversification. The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks associated with specific security types.
- F. Fiduciary Responsibility. All participants in the investment process shall act as do custodians of a trust.

III. AUTHORITY AND DUTIES

- A. Treasurer. The Treasurer of the CRWC Board of Directors ("Board") shall: be responsible for overseeing CRWC investments; review on a monthly basis all investments, purchases, redemptions, and investment changes; approve all sales of investments; select investment advisors; and report all findings to the Board.
- B. Financial Advisory Committee. The Financial Committee shall advise the Treasurer on investment purchases and sales, and investment opportunities.
- C. Investment Advisor. The Investment Advisor shall advise the Treasurer on investment purchases and sales, and investment opportunities, and must obtain the Treasurer's approval of any action regarding CRWC investments. The Investment Advisor shall submit quarterly to the Board an investment report that summarizes all securities, including the type of investment, institution (e.g., bond fund, equity mutual fund, or specific equity holding), date of maturity, investment amount, market value, yield, and any other information requested by the Board.

IV. INTERNAL CONTROLS

The Board shall review the investment practices used by the Treasurer for compliance with the investment policy and written procedures. The controls shall be designed to minimize losses of CRWC funds arising from fraud, errors, misrepresentation by third parties, unanticipated changes (either an increase or decrease) in financial markets, or imprudent action by Board members or employees of the CRWC.

As a part of the annual audit, the auditor shall review CRWC investment procedures, including investment statements. Any irregularities shall be reported promptly to the Treasurer and the Board. The Board shall adopt the auditor's recommendations for internal controls, absent reasonable cause not to do so.

V. LIMITATIONS ON EACH TYPE OF INVESTMENT INSTRUMENT

- A. Money Market Funds. Limited to 5% to 45% of total investment assets.

⁴The Operating Funds Account will be addressed in a separate policy statement.

- B. Equities. Limited to 20% to 60% of total investment assets; must be high quality securities traded on the NYSE, NASDAQ, and American Stock Exchange.
- C. Government Instruments. Limited to 5% to 40% of total investment assets; must be direct Treasury obligations of the U.S. government and U.S. government agency obligations for which the full faith and credit of the U.S. government is pledged or guaranteed.
- D. Fixed Income. Limited to 5% to 40% of total investment assets; consists of short- and long-term bonds.
- E. FDIC-Insured Certificates of Deposit. Limited to 5% to 45% of total investment assets; must not exceed FDIC insurance limit.

VI. SELECTION OF INVESTMENT ADVISORS

Subject to Board approval, the Treasurer will select one or more Investment Advisors to advise the Board on investment matters. The Board will refer to candidates' résumés or lists of qualifications submitted by the Treasurer in approving a candidate. The selected candidates must be experienced in institutional trading practices, and must satisfy other criteria the Board may establish. The Treasurer must await the Board's selection decision before delivering any investment funds to the selected candidate.

VII. RISK TOLERANCE

The CRWC recognizes that investment risks can result from issuer defaults, market price declines, or various technical complications leading to temporary illiquidity. Safety, as noted above, is the foremost investment concern, and preservation of capital is the highest priority in maintaining the financial integrity of the CRWC. To minimize risk, the Treasurer, with the advice and guidance of the Financial Advisory Committee and the Investment Advisor, must exercise prudence in selecting securities. No individual investment transaction shall be made that jeopardizes the total capital position of the CRWC's investment assets. The Treasurer shall review investment strategies quarterly to control the risk of default, market price declines, and illiquidity, and report the findings of each review to the Board after completing the review.

Viii. OBJECTIVES, METRICS, AND EVALUATION OF THE PERFORMANCE OF THE INVESTMENT ASSETS

Based on the risk-tolerance factors specified in the previous section, an annual evaluation of the performance of the investment assets shall be made to the Board by the Treasurer and the Investment Advisor. The performance of each type of investment in the investment assets shall be measured against the industry standards (i.e., the Dow Jones Industrial Average, S&P 500, Morningstar, and Moody's). These measurements shall show the Board not only increases in value, but actions taken to avoid and minimize loss. These measurements should assist the Board in determining the allocation of CWRC investment assets.

IX. ETHICS AND CONFLICTS OF INTEREST

The Treasurer, the Board and its designee(s), and CRWC employees involved in the investment process shall refrain from personal business activity that could conflict, or give the appearance of a conflict, with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

X. UPDATE OF THIS INVESTMENT-POLICY STATEMENT

The Board shall review this investment-policy statement at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, as well as its conformance to current law and financial and economic principles.