

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-18516



ARTESIAN RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

51-0002090

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

664 Churchmans Road , Newark , Delaware 19702

Address of principal executive offices

(302) 453 – 6900

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock

Trading Symbol (s)
ARTNA

Name of each exchange on which registered
The Nasdaq Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes

☐ No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes

☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12(b)-2 of the Exchange Act.

Large Accelerated Filer ☐

Accelerated Filer ☐

Non-accelerated Filer ☒ Smaller Reporting Company

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes

☒ No

As of November 5, 2024, 9,416,493 shares of Class A Non-Voting Common Stock and 881,452 shares of Class B Common Stock were outstanding.

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FORM 10-Q

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PART I – FINANCIAL INFORMATION
ITEM 1 – FINANCIAL STATEMENTS

ARTESIAN RESOURCES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited
(In thousands)

	September 30, 2024	December 31, 2023
ASSETS		
Utility plant, at original cost (less accumulated depreciation - 2024 - \$ 188,567 ; 2023 - \$ 185,170)	\$ 734,224	\$ 714,284
Current assets		
Cash and cash equivalents	10,703	2,505
Accounts and other receivables (less provision for expected credit loss - 2024 - \$ 339 ; 2023 - \$ 328)	10,248	12,830
Income tax receivable	191	1,799
Unbilled operating revenues	2,276	1,934
Materials and supplies	4,459	5,983
Prepaid property taxes	3,286	2,269
Prepaid expenses and other	3,180	3,297
Total current assets	34,343	30,617
Other assets		
Non-utility property (less accumulated depreciation - 2024 - \$ 1,100 ; 2023 - \$ 1,052)	3,607	3,693
Other deferred assets	6,535	8,504
Goodwill	1,939	1,939
Operating lease right of use assets	499	506
Total other assets	12,580	14,642
Regulatory assets, net	14,873	7,289
Total Assets	\$ 796,020	\$ 766,832
LIABILITIES AND STOCKHOLDERS' EQUITY		
Stockholders' equity		
Common stock	\$ 10,298	\$ 10,285
Preferred stock	—	—
Additional paid-in capital	143,789	143,369
Retained earnings	84,227	76,743
Total stockholders' equity	238,314	230,397
Long-term debt, net of current portion	176,886	178,307
	415,200	408,704
Current liabilities		
Lines of credit	—	—
Current portion of long-term debt	2,333	2,235
Accounts payable	9,649	9,697
Accrued expenses	5,570	3,519
Overdraft payable	3,918	9
Accrued interest	1,356	2,275
Income taxes payable	332	2
Customer and other deposits	3,210	2,983
Other	1,673	1,694
Total current liabilities	28,041	22,414
Commitments and contingencies		
Deferred credits and other liabilities		
Net advances for construction	2,388	2,797
Operating lease liabilities	496	503
Regulatory liabilities	30,622	25,676
Deferred investment tax credits	412	423
Deferred income taxes	52,340	58,381
Total deferred credits and other liabilities	86,258	87,780
Net contributions in aid of construction	266,521	247,934
Total Liabilities and Stockholders' Equity	\$ 796,020	\$ 766,832

See notes to the condensed consolidated financial statements.

ARTESIAN RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited
(In thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating revenues				
Water sales	\$ 24,092	\$ 21,642	\$ 66,419	\$ 60,294
Other utility operating revenue	3,358	3,235	9,661	9,083
Non-utility operating revenue	1,692	1,693	5,022	4,940
Total Operating Revenues	<u>29,142</u>	<u>26,570</u>	<u>81,102</u>	<u>74,317</u>
Operating expenses				
Utility operating expenses	12,125	11,590	36,261	34,488
Non-utility operating expenses	1,213	1,122	3,474	3,328
Depreciation and amortization	3,287	3,444	10,177	9,882
State and federal income taxes	2,355	2,249	5,982	5,156
Property and other taxes	1,572	1,504	4,700	4,531
Total Operating Expenses	<u>20,552</u>	<u>19,909</u>	<u>60,594</u>	<u>57,385</u>
Operating income	8,590	6,661	20,508	16,932
Other income, net				
Allowance for funds used during construction (AFUDC)	474	647	1,126	1,693
Miscellaneous (expense) income	(58)	(35)	1,450	1,554
Income before interest charges	9,006	7,273	23,084	20,179
Interest charges	<u>2,193</u>	<u>2,202</u>	<u>6,535</u>	<u>6,960</u>
Net income applicable to common stock	<u>\$ 6,813</u>	<u>\$ 5,071</u>	<u>\$ 16,549</u>	<u>\$ 13,219</u>
Income per common share:				
Basic	\$ 0.66	\$ 0.49	\$ 1.61	\$ 1.33
Diluted	\$ 0.66	\$ 0.49	\$ 1.61	\$ 1.33
Weighted average common shares outstanding:				
Basic	10,297	10,276	10,293	9,929
Diluted	10,298	10,279	10,294	9,933
Cash dividends per share of common stock	\$ 0.2955	\$ 0.2840	\$ 0.8807	\$ 0.8464

See notes to the condensed consolidated financial statements.

ARTESIAN RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
(In thousands)

	For the Nine Months Ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 16,549	\$ 13,219
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,177	9,882
Amortization of debt expense	265	266
Amortization of deferred income tax regulatory liability	(592)	(333)
Provision for expected credit loss	153	88
Deferred income taxes, net	1,558	3,665
Stock compensation	172	185
AFUDC, equity portion	(772)	(1,040)
Changes in assets and liabilities:		
Accounts and other receivables	2,062	2,935
Income tax receivable	1,608	(1,276)
Unbilled operating revenues	(342)	(360)
Materials and supplies	1,524	(785)
Income tax payable	330	19
Prepaid property taxes	(1,017)	(1,188)
Prepaid expenses and other	117	(407)
Other deferred assets	1,944	2,004
Regulatory assets	(283)	(342)
Regulatory liabilities	(2,734)	(2,655)
Accounts payable	175	(829)
Accrued expenses	(184)	156
Accrued interest	(919)	844
Customer deposits and other	330	(688)
NET CASH PROVIDED BY OPERATING ACTIVITIES	30,121	23,360
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (net of AFUDC, equity portion)	(30,933)	(48,838)
Proceeds from sale of assets	620	76
NET CASH USED IN INVESTING ACTIVITIES	(30,313)	(48,762)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments under lines of credit agreements	—	(23,477)
Borrowings under lines of credit agreements	—	3,303
Increase in overdraft payable	3,909	5,009
Proceeds from contributions in aid of construction and advances	15,652	18,657
Payouts for contributions in aid of construction and advances	(1,410)	(1,671)
Net proceeds from issuance of common stock	260	36,840
Equity issuance costs	—	(317)
Issuance of long-term debt	758	1,978
Dividends paid	(9,065)	(8,265)
Principal repayments of long-term debt	(1,714)	(1,506)
NET CASH PROVIDED BY FINANCING ACTIVITIES	8,390	30,551

ARTESIAN RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED
Unaudited
(In thousands)

	For the Nine Months Ended September 30, 2024	2023
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,198	5,149
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,505	1,309
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,703	6,458

Supplemental Disclosures of Cash Flow Information

	For the Nine Months Ended September 30, 2024	2023
Non-cash Investing and Financing Activity:		
Utility plant received as construction advances and contributions	\$ 7,475	\$ 2,307
Change in amounts included in accounts payable, accrued payables and other related to capital expenditures	1,888	1,451
Interest paid	\$ 7,188	\$ 5,850
Income taxes paid	\$ 4,452	\$ 3,476
Income taxes refunded	\$ 701	\$ —

See notes to the condensed consolidated financial statements.

ARTESIAN RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Unaudited
(In thousands)

	Common Shares Outstanding Class A Non- Voting (1) (3) (4)	Common Shares Outstanding Class B Voting (2)	\$ 1 Par Value Class A Non- Voting	\$ 1 Par Value Class B Voting	Additional Paid-in Capital	Retained Earnings	Total
Balance as of December 31, 2022	8,621	881	\$ 8,621	\$ 881	\$ 107,143	\$ 71,286	\$ 187,931
Net income	—	—	—	—	—	3,705	3,705
Cash dividends declared							
Common stock	—	—	—	—	—	(2,646)	(2,646)
Issuance of common stock							
Dividend reinvestment plan	2	—	2	—	91	—	93
Employee stock options and awards(4)	—	—	—	—	56	—	56
Employee Retirement Plan(3)	—	—	—	—	—	—	—
Balance as of March 31, 2023	8,623	881	8,623	881	107,290	72,345	189,139
Net income	—	—	—	—	—	4,443	4,443
Cash dividends declared							
Common stock	—	—	—	—	—	(2,700)	(2,700)
Issuance of common stock							
Public offering, net of costs	764	—	764	—	35,467	—	36,231
Dividend reinvestment plan	2	—	2	—	98	—	100
Employee stock options and awards(4)	5	—	5	—	55	—	60
Employee Retirement Plan(3)	—	—	—	—	—	—	—
Balance as of June 30, 2023	9,394	881	9,394	881	142,910	74,088	227,273
Net income	—	—	—	—	—	5,071	5,071
Cash dividends declared							
Common stock	—	—	—	—	—	(2,919)	(2,919)
Issuance of common stock							
Dividend reinvestment plan	2	—	2	—	101	—	103
Employee stock options and awards(4)	—	—	—	—	65	—	65
Employee Retirement Plan(3)	—	—	—	—	—	—	—
Balance as of September 30, 2023	9,396	881	9,396	881	143,076	76,240	229,593
	Common Shares Outstanding Class A Non- Voting (1) (3) (4)	Common Shares Outstanding Class B Voting (2)	\$ 1 Par Value Class A Non- Voting	\$ 1 Par Value Class B Voting	Additional Paid-in Capital	Retained Earnings	Total
Balance as of December 31, 2023	9,404	881	\$ 9,404	\$ 881	\$ 143,369	\$ 76,743	\$ 230,397
Net income	—	—	—	—	—	4,411	4,411
Cash dividends declared							
Common stock	—	—	—	—	—	(2,980)	(2,980)
Issuance of common stock							
Dividend reinvestment plan	3	—	3	—	87	—	90
Employee stock options and awards(4)	—	—	—	—	68	—	68
Employee Retirement Plan(3)	—	—	—	—	—	—	—
Balance as of March 31, 2024	9,407	881	9,407	881	143,524	78,174	231,986
Net income	—	—	—	—	—	5,325	5,325
Cash dividends declared							
Common stock	—	—	—	—	—	(3,042)	(3,042)
Issuance of common stock							
Dividend reinvestment plan	3	—	3	—	87	—	90
Employee stock options and awards(4)	5	—	5	—	52	—	57

Employee Retirement Plan(3)	—	—	—	—	—	—	—
Balance as of June 30, 2024	9,415	881	9,415	881	143,663	80,457	234,416
Net income	—	—	—	—	—	6,813	6,813
Cash dividends declared							
Common stock	—	—	—	—	—	(3,043)	(3,043)
Issuance of common stock							
Dividend reinvestment plan	2	—	2	—	78	—	80
Employee stock options and awards(4)	—	—	—	—	48	—	48
Employee Retirement Plan(3)	—	—	—	—	—	—	—
Balance as of September 30, 2024	9,417	881	9,417	881	143,789	84,227	238,314

- (1) At September 30, 2024 and September 30, 2023 , Class A Stock had 15,000,000 shares authorized. For the same periods, shares issued, inclusive of treasury shares, were 9,445,316 and 9,424,518 , respectively.
- (2) At September 30, 2024 and September 30, 2023 , Class B Stock had 1,040,000 shares authorized and 881,452 shares issued.
- (3) Artesian Resources Corporation registered 200,000 shares of Class A Stock, subsequently adjusted for stock splits, available for purchase through the Company's 401(k) retirement plan.
- (4) Under the Equity Compensation Plan, effective December 9, 2015, or the 2015 Plan, Artesian Resources Corporation authorized up to 331,500 shares of Class A Stock for issuance of grants in the form of stock options, stock units, dividend equivalents and other stock-based awards, subject to adjustment in certain circumstances as discussed in the 2015 Plan. Includes stock compensation expense for September 30, 2024 , and September 30, 2023 , See Note 8 - Stock Compensation Plans.

See notes to the condensed consolidated financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL

Artesian Resources Corporation, or Artesian Resources, includes income from the earnings of all of our wholly-owned subsidiaries. The terms “we”, “our”, “Artesian” and the “Company” as used herein refer to Artesian Resources and its subsidiaries.

DELAWARE REGULATED UTILITY SUBSIDIARIES

Artesian Water Company, Inc., or Artesian Water, distributes and sells water to residential, commercial, industrial, governmental, municipal and utility customers throughout the State of Delaware. In addition, Artesian Water provides services to other water utilities, including operations, and has contract operation agreements with private, municipal and state water providers. Artesian Water also provides water for public and private fire protection to customers in our service territories.

Artesian Wastewater Management, Inc., or Artesian Wastewater, began providing wastewater services in July 2005. Artesian Wastewater operates as the parent holding company of Tidewater Environmental Services, Inc. dba Artesian Wastewater, or TESI. TESI was incorporated in 2004. Artesian Wastewater and TESI are regulated entities that own wastewater collection and treatment infrastructure and provide wastewater services to customers in Sussex County, Delaware as a regulated public wastewater service companies.

MARYLAND REGULATED UTILITY SUBSIDIARIES

Artesian Water Maryland, Inc., or Artesian Water Maryland, began operations in August 2007. Artesian Water Maryland distributes and sells water to residential, commercial, industrial and municipal customers in Cecil County, Maryland.

Artesian Wastewater Maryland, Inc., or Artesian Wastewater Maryland, was incorporated on June 3, 2008 and is authorized and able to provide regulated wastewater services to customers in the State of Maryland. It is currently not providing these services.

PENNSYLVANIA REGULATED UTILITY SUBSIDIARY

Artesian Water Pennsylvania, Inc., or Artesian Water Pennsylvania, began operations in 2002. It provides water service to a residential community in Chester County, Pennsylvania.

OTHER NON-UTILITY SUBSIDIARIES

We have two other subsidiaries, neither of which are regulated. They are Artesian Utility Development, Inc., or Artesian Utility, and Artesian Development Corporation, or Artesian Development.

Artesian Utility designs and builds water and wastewater infrastructure and provides contract water and wastewater operation services on the Delmarva Peninsula to private, municipal and governmental institutions. Artesian Utility also evaluates land parcels, provides recommendations to developers on the size of water or wastewater facilities and the type of technology that should be used for treatment at such facilities, and operates water and wastewater facilities in Delaware for municipal and governmental agencies. Artesian Utility also contracts with developers and government agencies for design and construction of wastewater infrastructure throughout the Delmarva Peninsula.

Artesian Utility currently operates wastewater treatment facilities for the Town of Middletown, in southern New Castle County, Delaware, or Middletown, under a 20 -year contract that expires in July 2039. Artesian Utility currently operates three wastewater treatment systems with a combined capacity of up to approximately 3.8 million gallons per day. The wastewater treatment facilities in Middletown provide reclaimed wastewater for use in spray irrigation on public and agricultural lands in the area.

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Artesian Utility also offers three protection plans to customers, the Water Service Line Protection Plan, or WSLP Plan, the Sewer Service Line Protection Plan, or SSLP Plan, and the Internal Service Line Protection Plan, or ISLP Plan (collectively, SLP Plan or SLP Plans). The WSLP Plan covers all parts, material and labor required to repair or replace participating customers' leaking water service lines up to an annual limit. The SSLP Plan covers all parts, material and labor required to repair or replace participating customers' leaking or clogged sewer lines up to an annual limit. The ISLP Plan enhances available coverage to include water and wastewater lines within customers' residences up to an annual limit.

Artesian Development is a real estate holding company that owns properties, including land approved for office buildings, a water treatment plant and wastewater facility, as well as property for current operations, including an office facility in Sussex County, Delaware. The office facility consists of approximately 10,000 square feet of office space along with nearly 7,000 square feet of warehouse space.

NOTE 2 – BASIS OF PRESENTATION

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC, for Form 10-Q. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information provided not misleading. Accordingly, these condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes in the Company's annual report on Form 10-K for fiscal year 2023 as filed with the SEC on March 18, 2024.

The condensed consolidated financial statements include the accounts of Artesian Resources Corporation and its wholly owned subsidiaries, including its principal operating company, Artesian Water. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments (unless otherwise noted) necessary to present fairly the Company's balance sheet position as of September 30, 2024, the results of its operations for the three and nine-month periods ended September 30, 2024 and September 30, 2023, its cash flows for the nine-month periods ended September 30, 2024 and September 30, 2023 and the changes in stockholders' equity for the three and nine-month periods ended September 30, 2024 and September 30, 2023. The December 31, 2023 Condensed Consolidated Balance Sheet was derived from the Company's December 31, 2023 audited consolidated financial statements but does not include all disclosures and notes normally provided in annual financial statements.

The results of operations for the interim periods presented are not necessarily indicative of the results for the full year or for future periods.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on net income or stockholders' equity.

Regulated Utility Accounting

The accounting records of Artesian Water, Artesian Wastewater and TESI, are maintained in accordance with the uniform system of accounts as prescribed by the Delaware Public Service Commission, or the DEPSC. The accounting records of Artesian Water Pennsylvania are maintained in accordance with the uniform system of accounts as prescribed by the Pennsylvania Public Utility Commission, or the PAPUC. The accounting records of Artesian Water Maryland and Artesian Wastewater Maryland are maintained in accordance with the uniform system of accounts as prescribed by the Maryland Public Service Commission, or the MDPSC. All these subsidiaries follow the provisions of Financial Accounting Standards Board, or FASB, ASC Topic 980, which provides guidance for companies in regulated industries. These regulated subsidiaries account for the majority of our operating revenue. See Note 17 - Business Segment Information to our Condensed Consolidated Financial Statements for a full description of our segment information.

Use of Estimates

The condensed consolidated financial statements were prepared in conformity with generally accepted accounting principles in the U.S., which require management to make certain estimates and assumptions regarding the reported amounts of assets and liabilities including unbilled revenues, credit losses and reserves for bad debt, regulatory asset recovery, lease agreements, goodwill and contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

Utility Plant

Utility plant is stated at original cost. Cost includes direct labor, materials, AFUDC (see description below) and indirect charges for such capitalized items as transportation, supervision, pension, medical, and other fringe benefits related to employees engaged in construction activities. When depreciable units of utility plant are retired, the historical costs of plant retired is charged to accumulated depreciation. Any cost associated with retirement, less any salvage value or proceeds received, is charged to the regulated retirement liability. Maintenance, repairs, and replacement of minor items of utility plant are charged to expense as incurred.

Allowance for Funds Used during Construction, or AFUDC, is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds and a return on equity funds devoted to plant under construction.

Utility plant comprises:

In thousands

	Estimated Useful Life (In Years) Effective June 12, 2024	September 30, 2024	Estimated Useful Life (In Years)	December 31, 2023
Utility plant at original cost				
Utility plant in service-Water				
Intangible plant	—	\$ 140	—	\$ 140
Source of supply plant	45 - 85	30,214	45 - 85	29,960
Pumping and water treatment plant	15 - 64	130,000	8 - 62	130,337
Transmission and distribution plant				
Mains	73 - 81	375,731	81	370,977
Services	39 - 58	62,471	39	60,818
Storage tanks	70 - 76	39,704	76	40,933
Meters	16 - 26	30,224	26	30,318
Hydrants	60 - 68	19,520	60	18,980
General plant	5 - 81	58,204	5 - 31	67,317
Utility plant in service-Wastewater				
Intangible plant	—	116	—	116
Treatment and disposal plant	20 - 81	70,055	20 - 81	67,789
Collection mains & lift stations	81	56,070	81	51,539
General plant	5 - 31	2,608	5 - 31	2,478
Property held for future use	—	3,742	—	4,028
Construction work in progress	—	43,992	—	23,724
		922,791		899,454
Less – accumulated depreciation		188,567		185,170
		<u>\$ 734,224</u>		<u>\$ 714,284</u>

Depreciation and Amortization

For financial reporting purposes, depreciation is recorded using the straight-line method at rates based on estimated economic useful lives, which range from 5 to 85 years. Composite depreciation rates for water utility plant were 1.92 % and 2.13 % for September 30, 2024 and December 31, 2023, respectively. In a rate order issued by the DEPSC, the Company was directed effective June 12, 2024, to begin using revised depreciation rates for utility plant in Artesian Water, which are based on the estimated useful life years noted in the table above. Artesian Water offsets depreciation recorded on utility plant by depreciation on utility property funded by Contributions in Aid of Construction, or CIAC, and Advances for Construction, or Advances. This reduction in depreciation expense is also netted against outstanding CIAC and Advances on the Condensed Consolidated Balance Sheet. Certain other deferred assets are amortized using the straight-line method over applicable lives, which range from 20 to 24 years.

NOTE 3 – REVENUE RECOGNITION*Background*

Artesian's operating revenues are primarily derived from contract services based upon regulated tariff rates approved by the DEPSC, the MDPSC, and the PAPUC. Regulated tariff contract service revenues consist of water consumption, industrial wastewater services, fixed fees for water and wastewater services including customer and fire protection fees, service charges and Distribution System Improvement Charges, or DSIC, billed to customers at rates outlined in our tariffs that represent stand-alone selling prices. Our non-tariff contract revenues, which are primarily non-utility revenues, are derived from SLP Plan fees, water and wastewater contract operations, design and installation contract services, and wastewater inspection fees. Other regulated operating revenue are derived from developer guarantee contributions for wastewater and rental income for antenna agreements, which are not considered in the scope of Accounting Standards Codification 606, Revenue from Contracts with Customers.

Tariff Contract Revenues

Artesian generates revenue from the sale of water to customers in Delaware, Cecil County, Maryland, and Southern Chester County, Pennsylvania once a customer requests service in our territory. We recognize water consumption revenue at tariff rates on a cycle basis for the volume of water transferred to customers based upon meter readings for actual gallons of water consumed as well as unbilled amounts for estimated usage from the date of the last meter reading to the end of the accounting period. As actual usage amounts are known based on recurring meter readings, adjustments are made to the unbilled estimates in the next billing cycle based on the actual results. Estimates are made on an individual customer basis, based on one of three methods: the previous year's consumption in the same period, the previous billing period's consumption, or averaging. While actual usage for individual customers may differ materially from the estimate based on management judgments described above, we believe the overall total estimate of consumption and revenue for the fiscal period will not differ materially from actual billed consumption. The majority of our water customers are billed for water consumed on a monthly basis, while the remaining customers are billed on a quarterly basis. As a result, we record unbilled operating revenue (contract asset) for any estimated usage through the end of the accounting period that will be billed in the next monthly or quarterly billing cycle.

Artesian generates revenue from industrial wastewater services provided to a customer in Sussex County, Delaware. We recognize industrial wastewater service revenue at a contract rate on a monthly basis for the volume of wastewater transferred to Artesian's wastewater facilities based upon meter readings for actual gallons of wastewater transferred. These services are invoiced at the end of every month based on the actual meter readings for that month, and therefore there is no contract asset or liability associated with this revenue. The contract also provides for a minimum required volume of wastewater flow to our facility. At each year end, any shortfall of the actual volume from the required minimum volume is billed to the industrial customer and recorded as revenue. Additionally, if during the course of the year it is probable that the actual volume will not meet the minimum required volume, estimated revenue amounts would be recorded for the pro rata minimum volume, constrained for potential flow capacity that could occur in the remainder of the year. Any estimated revenue amounts are recorded as unbilled operating revenue (contract asset) through the end of the accounting period and will be billed at each year end for any shortfall of the actual volume from the required minimal volume.

Artesian generates revenue from metered wastewater services provided to customers in Sussex County, Delaware. We recognize metered wastewater services at tariff rates on a cycle basis for the volume of wastewater transferred to Artesian's wastewater facilities based upon meter readings for actual gallons of water transferred, as well as unbilled amounts for estimated volume from the date of the last meter reading to the end of the accounting period. As actual volume amounts are known based on recurring meter readings, adjustments are made to the unbilled estimates in the next billing cycle based on the actual results. Estimates are made on an individual customer basis, based on one of three methods: the previous year's volume in the same period, the previous billing period's volume, or averaging. While actual usage for individual customers may differ materially from the estimate based on management judgments described above, we believe the overall total estimate of volume and revenue for the fiscal period will not differ materially from actual billed consumption. The majority of these wastewater customers are billed for the volume of water transferred on a quarterly basis. As a result, we record unbilled operating revenue (contract asset) for any estimated volume through the end of the accounting period that will be billed in the next quarterly cycle.

Artesian generates fixed-fee revenue for water and wastewater services provided to customers once a customer requests service in our territory. We recognize revenue from these services on a ratable basis over time as the customer simultaneously receives and consumes all the benefits of the Company remaining ready to provide them water and wastewater service. These contract services are billed either in advance or arrears at tariff rates on a monthly, quarterly or semi-annual basis. For contract services billed in arrears, we record unbilled operating revenue (contract asset) for any services through the end of the accounting period that will be billed in the next monthly or quarterly cycle. For contract services billed in advance, we record deferred revenue (contract liability) and accounts receivable for any amounts for which we have a right to invoice but for which services have not been provided. This deferred revenue is netted against unbilled operating revenue on the Condensed Consolidated Balance Sheet.

Artesian generates service charges primarily from non-payment fees, such as water shut-off and reconnection fees and finance charges. These fees are billed and recognized as revenue at the point in time when our tariffs indicate the Company has the right to payment such as days past due have been reached or shut-offs and reconnections have been performed. There is no contract asset or liability associated with these fees.

Artesian generates revenue from DSIC, which are surcharges applied to water customer tariff rates in Delaware related to specific types of water distribution system improvements. This rate is calculated on a semi-annual basis based on an approved projected revenue requirement over the following six-month period. This rate is adjusted up or down at the next DSIC filing to account for any differences between actual earned revenue and the projected revenue requirement. Since DSIC revenue is a surcharge applied to tariff rates, we recognize DSIC revenue based on the same guidelines as noted above depending on whether the surcharge was applied to consumption revenue or fixed-fee revenue.

Artesian generates revenue from interim temporary rates. In Delaware, utilities are permitted by law to place rates into effect, under bond, on a temporary basis, pending resolution of an application for a base rate increase by the DEPSC. Temporary rate revenue is calculated as a percentage increase on tariff rates. We recognize this revenue based on the same guidelines as noted above depending on whether the additional rate was applied to consumption revenue or fixed-fee revenue. Until final rates are determined by the DEPSC, if it is probable that a refund of revenue associated with temporary rates will occur, a reserve would be recorded reducing revenue from temporary rates. Temporary rates that were previously effective as of November 28, 2023 were replaced with final rates effective June 12, 2024, with no reserve or reduction to previously recorded revenue, as approved by the DEPSC.

Accounts receivable related to tariff contract revenues are typically due within 25 days of invoicing. A provision for expected credit loss is calculated as a percentage of total associated revenues based upon historical trends and adjusted for current conditions. We mitigate our exposure to credit losses by discontinuing services in the event of non-payment; accordingly, the related provision for expected credit loss and associated bad debt expense has not been significant.

Non-tariff Contract Revenues

Artesian generates SLP Plan revenue once a customer requests service to cover all parts, materials and labor required to repair or replace leaking water service lines, leaking or clogged sewer lines, or water and wastewater lines within the customer's residence, up to an annual limit. We recognize revenue from these services on a ratable basis over time as the customer simultaneously receives and consumes all the benefits of having service line protection services. These contract services are billed in advance on a monthly or quarterly basis. As a result, we record deferred revenue (contract liability) and accounts receivable for any amounts for which we have a right to invoice but for which services have not been provided. Accounts receivable from SLP Plan customers are typically due within 25 days of invoicing. A provision for expected credit loss is calculated as a percentage of total SLP Plan contract revenue. We mitigate our exposure to credit losses by discontinuing services in the event of non-payment; accordingly, the related provision for expected credit loss and associated bad debt expense has not been significant.

Artesian generates contract operation revenue from water and wastewater operation services provided to customers. We recognize revenue from these operation contracts, which consist primarily of monthly operation and maintenance services, over time as customers receive and consume the benefits of such services performed. The majority of these services are invoiced in advance at the beginning of every month and are typically due within 30 days, and therefore there is no contract asset or liability associated with most of these revenues. We have one operation contract that was paid in advance resulting in a contract liability for services that have not yet been provided. A provision for expected credit loss is provided based on a periodic analysis of individual account balances, including an evaluation of days outstanding, payment history, recent payment trends, and our assessment of our customers' creditworthiness. The related provision for expected credit loss and associated bad debt expense has not been significant.

Artesian generates design and installation revenue for services related to the design and construction of wastewater infrastructure for a state agency under contract. We recognize revenue from these services over time as services are performed using the percentage-of-completion method based on an input method of incurred costs (cost-to-cost). These services are invoiced at the end of every month based on incurred costs to date. As of September 30, 2024, there is no associated contract asset or liability. There is no provision for expected credit loss or bad debt expense associated with this revenue.

Artesian generates inspection fee revenue for inspection services related to onsite wastewater collection systems installed by developers of new communities. These fees are paid by developers in advance when a service is requested for a new phase of a development. Inspection fee revenue is recognized on a per lot basis once the inspection of the infrastructure that serves each lot is completed. As a result, we record deferred revenue (contract liability) for any amounts related to infrastructure not yet inspected. There are no accounts receivable, provision for expected credit loss or bad debt expense associated with inspection fee contracts.

Sales Tax

The majority of Artesian's revenues are earned within the State of Delaware, where there is no sales tax. Revenues earned in the State of Maryland and the Commonwealth of Pennsylvania are related primarily to the sale of water by a public water utility and are exempt from sales tax. Therefore, no sales tax is collected on revenues.

Disaggregated Revenues

The following table shows the Company's revenues disaggregated by service type; all revenues are generated within a similar geographical location:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Tariff Revenue				
Consumption charges	\$ 16,747	\$ 13,681	\$ 44,232	\$ 37,064
Fixed fees	9,156	8,299	27,578	24,365
Service charges	186	169	565	523
DSIC	67	1,403	67	3,922
Metered wastewater services	253	183	598	435
Industrial wastewater services	467	537	1,390	1,384
Total Tariff Revenue	\$ 26,876	\$ 24,272	\$ 74,430	\$ 67,693
Non-Tariff Revenue				
Service line protection plans	\$ 1,468	\$ 1,441	\$ 4,323	\$ 4,176
Contract operations	255	272	760	793
Design and installation	2	28	61	150
Inspection fees	120	138	331	325
Total Non-Tariff Revenue	\$ 1,845	\$ 1,879	\$ 5,475	\$ 5,444
Other Operating Revenue	\$ 421	\$ 419	\$ 1,197	\$ 1,180
Total Operating Revenue	\$ 29,142	\$ 26,570	\$ 81,102	\$ 74,317

Contract Assets and Contract Liabilities

Our contract assets and liabilities consist of the following:

<i>(in thousands)</i>	September 30, 2024	December 31, 2023
Contract Assets – Tariff	\$ 3,446	\$ 3,043
Deferred Revenue		
Deferred Revenue – Tariff	\$ 1,395	\$ 1,300
Deferred Revenue – Non-Tariff	587	539
Total Deferred Revenue	\$ 1,982	\$ 1,839

For the nine months ended September 30, 2024, the Company recognized revenue of \$ 1.3 million from amounts that were included in Deferred Revenue – Tariff at the beginning of the year and revenue of \$ 0.4 million from amounts that were included in Deferred Revenue – Non- Tariff at the beginning of the year.

The changes in Contract Assets and Deferred Revenue are primarily due to normal timing differences between our performance and customer payments.

Remaining Performance Obligations

As of September 30, 2024 and December 31, 2023, Deferred Revenue – Tariff is recorded net of contract assets within Unbilled operating revenues and represents our remaining performance obligations for our fixed fee water and wastewater services, all of which are expected to be satisfied and associated revenue recognized in the next three months .

As of September 30, 2024 and December 31, 2023, Deferred Revenue – Non-Tariff is recorded within Other current liabilities and represents our remaining performance obligations for our SLP Plan services, contract water operation services and wastewater inspections, which are expected to be satisfied and associated revenue recognized within the next three months , approximately five years and one year , respectively.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are recorded at the invoiced amounts. As set forth in a settlement agreement, Artesian Water will receive reimbursements from the Delaware Sand and Gravel Remedial Trust, or Trust, for Artesian Water's past capital and operating costs, totaling approximately \$ 10.0 million, related to the treatment costs associated with the release of contaminants from the Delaware Sand & Gravel Landfill Superfund Site, or Site, in groundwater that Artesian Water uses for public potable water supply. Three installments for approximately \$ 2.5 million each were paid in August 2022, July 2023 and July 2024. The final \$ 2.5 million installment payment is due no later than July 2025. In addition, the Trust shall reimburse Artesian Water for documented reasonable and necessary capital and operating costs after July 1, 2021 that Artesian Water incurs to treat contaminants of concern and of emerging concern.

A provision for expected credit loss is calculated as a percentage of total associated revenues based upon historical trends and adjusted for current and reasonable projections based upon expected economic conditions. We mitigate our exposure to credit losses by discontinuing services in the event of non-payment; accordingly, the related provision for expected credit loss and associated bad debt expense has not been significant. The following table summarizes the changes in the Company's accounts receivable balance:

(in thousands)	September 30, 2024	December 31, 2023	December 31, 2022
Customer accounts receivable – water	\$ 6,612	\$ 6,573	\$ 5,981
Customer accounts receivable – wastewater	696	644	637
Customer accounts receivable – SLP Plan	416	409	384
Settlement agreement receivable – short term	2,526	2,747	2,532
Developer receivable	92	2,089	1,151
Miscellaneous receivable	245	696	3,242
	<u>10,587</u>	<u>13,158</u>	<u>13,927</u>
Less: provision for expected credit loss	339	328	416
Net accounts receivable	<u>\$ 10,248</u>	<u>\$ 12,830</u>	<u>\$ 13,511</u>

NOTE 5 – LEASES

The Company leases land and office equipment under operating leases from non-related parties. Our leases have remaining lease terms of 4 years to 72 years, some of which include options to automatically extend the leases for up to 66 years and are included as part of the lease liability and right of use assets as we expect to exercise the options. Payments made under operating leases are recognized in the condensed consolidated statement of operations on a straight-line basis over the period of the lease. The annual lease payments for the land operating leases increase each year either by the most recent increase in the Consumer Price Index or by 3 %, as applicable based on the lease agreements. Periodically, the annual lease payment for one operating land lease is determined based on the fair market value of the applicable parcel of land. None of the operating leases contain contingent rent provisions. The commencement date of all the operating leases is the earlier of the date we become legally obligated to make rent payments or the date we may exercise control over the use of the land or equipment. The Company currently does not have any financing leases and does not have any lessor leases that require disclosure.

Management made certain assumptions related to the separation of lease and nonlease components and to the discount rate used when calculating the right of use asset and liability amounts for the operating leases. As our leases do not provide an implicit rate, we use our incremental borrowing rates for long-term and short-term agreements and apply the rates accordingly based on the term of the lease agreements to determine the present value of lease payments.

Rent expense for all operating leases, except those with terms of 12 months or less comprises:

	(in thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Minimum rentals	\$ 4	\$ 4	\$ 13	\$ 11
Contingent rentals	—	—	—	—
	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 13</u>	<u>\$ 11</u>

Supplemental cash flow information related to leases is as follows:

	(in thousands)	
	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 13	\$ 11
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 499	\$ 498

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Supplemental balance sheet information related to leases is as follows:

	(in thousands, except lease term and discount rate)	
	September 30, 2024	December 31, 2023
Operating Leases:		
Operating lease right-of-use assets	\$ 499	\$ 506
Other current liabilities	\$ 10	9
Operating lease liabilities	496	503
Total operating lease liabilities	\$ 506	\$ 512
Weighted Average Remaining Lease Term		
Operating leases	57 years	58 years
Weighted Average Discount Rate		
Operating leases	5.0%	5.0%

Maturities of operating lease liabilities that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2024 are as follows:

	(in thousands) Operating Leases
Year	
2024	\$ 35
2025	35
2026	35
2027	31
2028	27
Thereafter	1,424
Total undiscounted lease payments	\$ 1,587
Less effects of discounting	(1,081)
Total lease liabilities recognized	\$ 506

As of September 30, 2024, we have not entered into operating or finance leases that will commence at a future date.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Current Assets and Liabilities

For those current assets and liabilities that are considered financial instruments, the carrying amounts approximate fair value because of the short maturity of those instruments. Under the fair value hierarchy, the fair value of such financial instruments is classified as a Level 1.

Long-term Financial Liabilities

As of September 30, 2024 and December 31, 2023, all of the Company's outstanding long-term debt interest rates were a fixed-rate. The fair value of the Company's long-term debt is determined by discounting their future cash flows using current market interest rates on similar instruments with comparable maturities consistent with FASB ASC 825. Under the fair value hierarchy, the fair value of the long-term debt in the table below is classified as Level 2 measurements. Level 2 is valued using observable inputs other than quoted prices. The fair values for long-term debt differ from the carrying values primarily due to interest rates that differ from the current market interest rates. The carrying amount and fair value of Artesian Resources' long-term debt (including current portion) are shown below:

(in thousands)

	September 30, 2024	December 31, 2023
Carrying amount	\$ 179,219	\$ 180,542
Estimated fair value	159,649	162,720

The fair value of Advances for Construction cannot be reasonably estimated due to the inability to estimate accurately the timing and amounts of future refunds expected to be paid over the life of the contracts. Refund payments are based on the water sales to new customers in the particular development constructed. The fair value of Advances for Construction would be less than the carrying amount because these financial instruments are non-interest bearing.

NOTE 7 – INCOME TAXES

Deferred income taxes are provided in accordance with FASB ASC Topic 740 on all differences between the tax basis of assets and liabilities and the amounts at which they are carried in the condensed consolidated financial statements based on the enacted tax rates expected to be in effect when such temporary differences are expected to reverse. The Company's rate regulated subsidiaries recognize regulatory liabilities, to the extent considered in ratemaking, for deferred taxes provided in excess of the current statutory tax rate and regulatory assets for deferred taxes provided at rates less than the current statutory rate. Such tax-related regulatory assets and liabilities are reported at the revenue requirement level and amortized to income as the related temporary differences reverse, generally over the lives of the related properties.

Under FASB ASC Topic 740, an uncertain tax position represents our expected treatment of a tax position taken, or planned to be taken in the future, that has not been reflected in measuring income tax expense for financial reporting purposes. The Company establishes reserves for uncertain tax positions based upon management's judgment as to the sustainability of these positions. These accounting estimates related to the uncertain tax position reserve require judgments to be made as to the sustainability of each uncertain tax position based on its technical merits. The Company believes its tax positions comply with applicable law and that it has adequately recorded reserves as required. However, to the extent the final tax outcome of these matters is different than the estimates recorded, the Company would then adjust its tax reserves or unrecognized tax benefits in the period that this information becomes known. For the full year 2023, the Company accrued approximately \$ 12,000 in penalties and interest related to positions taken on the 2022 corporate income tax return. For the nine months ended September 30, 2024, the Company has accrued approximately \$ 13,000 in penalties and interest related to positions taken on the 2022 corporate income tax return. The Company remains subject to examination by federal and state authorities for the tax years 2021 through 2023.

Investment tax credits were deferred through 1986 and are recognized as a reduction of deferred income tax expense over the estimated economic useful lives of the related assets.

NOTE 8 – STOCK COMPENSATION PLANS

On December 9, 2015, the Company's stockholders approved the 2015 Equity Compensation Plan, or the 2015 Plan, that replaced the 2005 Equity Compensation Plan, or the 2005 Plan, which expired on May 24, 2015. The 2015 Plan provides that grants may be in any of the following forms: incentive stock options, nonqualified stock options, stock units, stock awards, dividend equivalents and other stock-based awards. The 2015 Plan is administered and interpreted by the Compensation Committee of the Board of Directors, or the Committee. The Committee has the authority to determine the individuals to whom grants will be made under the 2015 Plan, determine the type, size and terms of the grants, determine the time when grants will be made and the duration of any applicable exercise or restriction period (subject to the limitations of the 2015 Plan) and deal with any other matters arising under the 2015 Plan. The Committee presently consists of three directors, each of whom is a non-employee director of the Company. All of the employees of the Company and its subsidiaries are eligible for grants under the 2015 Plan. Non-employee directors of the Company are also eligible to receive grants under the 2015 Plan.

On May 6, 2024, 5,000 shares of Class A Common Stock, or Class A Stock, were granted as restricted stock awards. The fair value per share was \$ 37.07, the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 6, 2024. These restricted stock awards will be fully vested and released one year after the grant date and, prior to their vesting date, are subject to forfeiture in the event of the recipient's termination of service.

On May 9, 2023, 5,000 shares of Class A Common Stock, or Class A Stock, were granted as restricted stock awards. The fair value per share was \$ 54.88 , the closing price of the Class A Stock as recorded on the Nasdaq Global Select Market on May 9, 2023. These restricted stock awards were fully vested and released one year after the grant date.

Compensation expense, for the three and nine months ended September 30, 2024 of approximately \$ 46,700 and \$ 172,000 , respectively, was recorded for restricted stock awards issued in May 2023 and May 2024. Compensation expense, for the three and nine months ended September 30, 2023 of approximately \$ 69,000 and \$ 185,000 , respectively, was recorded for restricted stock awards issued in May 2022 and May 2023. Costs were determined based on the fair value on the dates of the awards and those costs were charged to income over the service periods associated with the awards.

There was no stock compensation cost capitalized as part of an asset.

The following summary reflects changes in the shares of Class A Stock underlying options and restricted stock awards for the nine months ended September 30, 2024:

	Restricted Awards	
	Outstanding Restricted Stock Awards	Weighted Average Grant Date FairValue
Restricted stock awards		
Outstanding at January 1, 2024	5,000	\$ 54.88
Granted	5,000	37.07
Exercised/vested and released	(5,000)	54.88
Expired/cancelled	—	—
Outstanding at September 30, 2024	5,000	\$ 37.07
Exercisable/vested at September 30, 2024	—	—

There were no options exercised during the nine months ended September 30, 2024.

There were no unvested option shares outstanding under the 2015 Plan during the nine months ended September 30, 2024.

As of September 30, 2024, there were no unrecognized expenses related to non-vested option shares granted under the 2015 Plan.

As of September 30, 2024, there was \$ 110,000 total unrecognized expenses related to non-vested awards of restricted shares awarded under the 2015 Plan. The cost will be recognized over 0.60 years, the remaining vesting period for the restricted stock awards.

NOTE 9 – GEOGRAPHIC CONCENTRATION OF CUSTOMERS

Artesian Water, Artesian Water Maryland and Artesian Water Pennsylvania provide regulated water utility service to customers within their established service territory in all three counties of Delaware and in portions of Maryland and Pennsylvania, pursuant to rates filed with and approved by the DEPSC, the MDPSC and the PAPUC. As of September 30, 2024 Artesian Water was serving approximately 97,000 customers, Artesian Water Maryland was serving approximately 2,700 customers and Artesian Water Pennsylvania was serving approximately 40 customers.

Artesian Wastewater and TESI provide regulated wastewater utility service to customers within their established service territory in Sussex County, Delaware pursuant to rates filed with and approved by the DEPSC. As of September 30, 2024, Artesian Wastewater and TESI were serving approximately 8,500 customers combined, including one large industrial customer.

NOTE 10 – OTHER DEFERRED ASSETS

The investment in CoBank, ACB, or CoBank, which is a cooperative bank, is related to certain outstanding First Mortgage Bonds and is a required investment in the bank based on the underlying long-term debt agreements. The settlement agreement receivable is related to the long-term portion of reimbursements as further discussed in Note 4 - Accounts Receivable.

<i>(in thousands)</i>	September 30, 2024	December 31, 2023
Investment in CoBank	\$ 6,425	\$ 5,882
Settlement agreement receivable-long term	—	2,496
Other deferred assets	110	126
	\$ 6,535	\$ 8,504

NOTE 11 – REGULATORY ASSETS

The FASB ASC Topic 980 stipulates generally accepted accounting principles for companies whose rates are established or subject to approvals by a third-party regulatory agency. Certain expenses are recoverable through rates charged to our customers, without a return on investment, and are deferred and amortized during future periods using various methods as permitted by the DEPSC, MDPSC, and PAPUC.

The deferred income taxes will be amortized over future years as the tax effects of temporary differences that previously flowed through to our customers are reversed.

Debt related costs include debt issuance costs and other debt related expense. The DEPSC has approved deferred regulatory accounting treatment for issuance costs associated with Artesian Water's First Mortgage bonds. Debt issuance costs and other debt related expenses are reviewed during Artesian Water's rate applications as part of its cost of capital calculations.

Affiliated interest agreement deferred costs relate to the regulatory and administrative costs resulting from efforts necessary to secure water allocations in Artesian Water Pennsylvania's territory for the provision of service to the surrounding area and interconnection to Artesian Water Pennsylvania's affiliate regulated water utility Artesian Water. These costs were specifically included for cost recovery pursuant to an Affiliated Interest Agreement between Artesian Water and Artesian Water Pennsylvania and were approved for recovery by the PAPUC and were reclassified from deferred costs to a regulatory asset in 2022. Amortization of these deferred costs began in the fourth quarter of 2023.

Deferred acquisition adjustments represent the excess payment for purchases of utility plant from Delaware municipalities over the determined original cost net of depreciation. Deferred acquisition costs represent the closing cost associated with the acquisitions. Costs of \$ 3.7 million were reclassified from net utility plant and \$ 0.1 million were reclassified from contributions in aid of construction, which will be recovered in customer rates effective June 12, 2024 as part of the DEPSC approved settlement agreement for the Artesian Water rate application filed on April 28, 2023.

Unrecovered reserve for depreciation of \$ 4.1 million is the result of the implementation of a change in depreciation methods for certain general plant assets that will be recovered in customer rates effective June 12, 2024 as part of the DEPSC approved settlement agreement for the Artesian Water rate application filed on April 28, 2023.

Regulatory expenses amortized on a straight-line basis are noted below:

Expense	Years Amortized
Deferred contract costs and other	5
Rate case studies	5
Delaware rate proceedings	3
Debt related costs	15 to 30 (based on term of related debt)
Deferred costs affiliated interest agreement	20
Goodwill (Mountain Hill Water Company acquisition in 2008)	50
Deferred acquisition and franchise costs - Maryland	20 – 80
Deferred acquisition costs - Delaware	20
Deferred acquisition adjustments - Delaware	36 – 62
Unrecovered reserve for depreciation (general plant assets)	5

Regulatory assets, net of amortization, comprise:

	(in thousands)	
	September 30, 2024	December 31, 2023
Deferred contract costs and other	\$ 290	\$ 209
Rate case studies	150	166
Delaware rate proceedings	536	355
Deferred income taxes	429	444
Debt related costs	4,057	4,322
Deferred costs affiliated interest agreement	1,068	1,110
Goodwill	253	258
Deferred acquisition and franchise costs – Maryland	398	425
Deferred acquisition costs – Delaware	234	–
Deferred acquisition adjustments – Delaware	3,377	–
Unrecovered reserve for depreciation	4,081	–
	<u>\$ 14,873</u>	<u>\$ 7,289</u>

NOTE 12 – REGULATORY LIABILITIES

FASB ASC Topic 980 stipulates generally accepted accounting principles for companies whose rates are established or subject to approvals by a third-party regulatory agency. Certain obligations are deferred and/or amortized as determined by the DEPSC, MDPSC, and PAPUC. Regulatory liabilities represent excess recovery of cost or other items that have been deferred because it is probable such amounts will be returned to customers through future regulated rates.

Utility plant retirement cost obligation consists of estimated costs related to the potential removal and replacement of facilities and equipment on the Company's water and wastewater properties. As authorized by the DEPSC, when depreciable units of utility plant are retired, any cost associated with retirement, less any salvage value or proceeds received, is charged to a regulated retirement liability. The annual amortization currently authorized by the DEPSC could be adjusted in future rate applications.

Deferred settlement refunds consist of reimbursements from the Trust for Artesian Water's past capital and operating costs, totaling approximately \$ 10.0 million, related to the treatment costs associated with the release of contaminants from the Site in groundwater that Artesian Water uses for public potable water supply, pursuant to the Settlement Agreement. Three installments for approximately \$ 2.5 million each were paid in August 2022, July 2023 and July 2024. The final \$ 2.5 million installment payment is due no later than July 2025. Artesian Water received approval from the DEPSC in October 2022 to refund to its customers these reimbursements for past capital and operating costs. The refund for the reimbursements will be applied to current and future customer bills in annual installments. The first three refunds occurred in October 2022, August 2023 and August 2024. The final customer refund will occur no later than August 2025. The amount of the credit will be calculated by dividing the amount of the reimbursement by the number of eligible customers. Beginning in 2022, Artesian Water began recording 2022 and future recovery of capital expenditures as Contributions in Aid of Construction and began recording expense recovery as an offset to operations and maintenance expense, with the intention that those recoveries will be available for inclusion and consideration in any future rate applications.

Pursuant to the enactment of the Tax Cuts and Jobs Act, or TCJA, on December 22, 2017, the Company adjusted its existing deferred income tax balances to reflect the decrease in the corporate income tax rate from 34 % to 21 % (see Note 7 – Income Taxes) resulting in a decrease in the net deferred income tax liability of \$ 24.3 million, of which \$ 22.8 million was reclassified to a regulatory liability related to Artesian Water and Artesian Water Maryland. The regulatory liability amount is subject to certain Internal Revenue Service normalization rules that require the benefits to customers be spread over the remaining useful life of the underlying assets giving rise to the associated deferred income taxes. On January 31, 2019, the DEPSC approved Artesian Water to amortize the regulatory liability amount of \$ 22.2 million over a period of 49.5 years beginning February 1, 2018, subject to audit at a later date. In May 2022, Artesian Water received a rate order from the DEPSC instructing Artesian Water to continue amortizing the liability over a period of 49.5 years, subject to review in Artesian Water's next base rate filing. On June 12, 2024, the DEPSC approved a settlement agreement for the Artesian Water rate application, filed on April 28, 2023, that required two changes to the deferred income tax regulatory liability effective June 12, 2024. A \$ 7.6 million gross-up adjustment was recorded to reflect the benefit customers would receive from the implementation of new base rates and \$ 4.0 million of the regulatory liability, which represents costs not subject to IRS normalization rules, is now required to be amortized over a six-year period rather than 49.5 years. The MDPSC has not issued a final order on the regulatory liability amount of \$ 0.6 million regarding the effects of the TCJA on Maryland customers.

Regulatory liabilities comprise:

	(in thousands)	
	September 30, 2024	December 31, 2023
Utility plant retirement cost obligation	\$ 310	\$ —
Deferred settlement refunds	2,495	4,991
Deferred income taxes (related to TCJA)	27,817	20,685
	<u>\$ 30,622</u>	<u>\$ 25,676</u>

NOTE 13 – REGULATORY PROCEEDINGS

Our water and wastewater utilities generate operating revenue from customers based on rates that are established by state public service commissions through a rate-setting process that may include public hearings, evidentiary hearings and the submission of evidence and testimony in support of the Company's requested level of rates.

We are subject to regulation by the following state regulatory commissions:

- The DEPSC, regulates Artesian Water, Artesian Wastewater, and TESI.
- The MDPSC, regulates both Artesian Water Maryland and Artesian Wastewater Maryland.
- The PAPUC, regulates Artesian Water Pennsylvania.

Our water and wastewater utility operations are also subject to regulation under the federal Safe Drinking Water Act of 1974, or Safe Drinking Water Act, the Clean Water Act of 1972, or the Clean Water Act, and related state laws, and under federal and state regulations issued under these laws. These laws and regulations establish criteria and standards for drinking water and for wastewater discharges. Capital expenditures and operating costs required as a result of water quality standards and environmental requirements have been traditionally recognized by state regulatory commissions as appropriate for inclusion in establishing rates.

Water and Wastewater Rates

Our regulated subsidiaries periodically seek rate increases to cover the cost of increased operating expenses, increased financing expenses due to additional investments in utility plant and other costs of doing business. In Delaware, utilities are permitted by law to place rates into effect, under bond, on a temporary basis pending completion of a rate increase proceeding. Any DSIC rate in effect will be reset to zero upon implementation of a temporary increase in base rates charged to customers. The first temporary increase may be up to the lesser of \$ 2.5 million on an annual basis or 15 % of gross water sales. Should the rate case not be completed within seven months, by law, the utility may put the entire requested rate relief, up to 15 % of gross water sales, in effect under bond until a final resolution is ordered and placed into effect. If any such rates are found to be in excess of rates the DEPSC finds to be appropriate, the utility must refund customers the portion found to be in excess with interest. The timing of our rate increase requests is therefore dependent upon the estimated cost of the administrative process in relation to the investments and expenses that we hope to recover through the rate increase. We can provide no assurances that rate increase requests will be approved by applicable regulatory agencies and, if approved, we cannot guarantee that these rate increases will be granted in a timely or sufficient manner to cover the investments and expenses for which we initially sought the rate increase.

Artesian Water filed an initial request with the DEPSC on April 28, 2023, further supplemented with a request filed on November 30, 2023, to implement new rates to meet a requested increase in revenue of approximately \$ 16.7 million, on an annualized basis, or 22.7 %. The DEPSC approved and Artesian Water implemented a temporary rate increase effective November 28, 2023 of approximately \$ 10.8 million, on an annualized basis, or 14.6 %, subject to refund, and reduced the DSIC previously in effect from approximately 7.5 % to zero. On May 22, 2024, Artesian Water, the Staff of the DEPSC, and the Division of the Public Advocate, or DPA, (collectively, the Parties) entered into an agreement, or Settlement Agreement, to settle Artesian Water's April 2023 application to implement new rates. On June 12, 2024, a DEPSC order was issued approving the settlement agreement entered into on May 22, 2024 between the Parties. The Settlement Agreement authorizes a total increase in the revenue requirement of \$ 11.2 million, on an annualized basis, or approximately 15.2 %, with a rate effective date of June 12, 2024, which encompasses a 9.5 % return on common equity and an overall rate of return on rate base of 6.75 %. Temporary rates that were in effect since November 28, 2023 were replaced with the final approved rates from the Settlement Agreement. Revised depreciation rates for utility plant and revised amortization rates for certain regulatory assets and liabilities were also approved effective June 12, 2024.

Other Proceedings

Delaware law permits water utilities to put into effect, on a semi-annual basis, increases related to specific types of distribution system improvements through a DSIC. This charge may be implemented by water utilities between general rate increase applications that normally recognize changes in a water utility's overall financial position. The DSIC approval process is less costly when compared to the approval process for general rate increase requests. The DSIC rate applied between base rate filings is capped at 7.50 % of the amount billed to customers under otherwise applicable rates and charges, and the DSIC rate increase applied cannot exceed 5.0 % within any 12-month period.

The following table summarizes (1) Artesian Water's last two applications with the DEPSC to collect DSIC rates and (2) the rate upon which eligible plant improvements was based:

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Application Date	11/20/2020	05/30/2024
DEPSC Approval Date	12/14/2020	06/12/2024
Effective Date	01/01/2021	07/01/2024
Cumulative DSIC Rate	7.50 %	0.34 %
Net Eligible Plant Improvements – Cumulative Dollars (in millions)	\$ 43.1	\$ 2.0
Eligible Plant Improvements – Installed Beginning Date	10/01/2014	10/01/2023
Eligible Plant Improvements – Installed Ending Date	04/30/2019	04/30/2024

On June 12, 2024, the DEPSC approved Artesian Water's application to implement a DSIC rate of 0.34 %, effective July 1, 2024, which is subject to periodic audit by the DEPSC. Effective January 1, 2021, Artesian Water was permitted to recover specific investments made in infrastructure through the assessment of a 7.50 % DSIC. The January 1, 2021 DSIC rate was reset to zero when the temporary base rate increase was placed into effect on November 28, 2023. For both the three and nine months ended September 30, 2024, we earned approximately \$ 0.1 million in DSIC revenue. For the three and nine months ended September 30, 2023, we earned approximately \$ 1.4 million and \$ 3.9 million in DSIC revenue.

NOTE 14 – NET INCOME PER COMMON SHARE AND EQUITY PER COMMON SHARE

Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share is based on the weighted average number of common shares outstanding, the potentially dilutive effect of employee stock options and restricted stock awards.

The following table summarizes the shares used in computing basic and diluted net income per share:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Weighted average common shares outstanding during the period for basic computation	10,297	10,276	10,293	9,929
Dilutive effect of employee stock options and awards	1	3	1	4
Weighted average common shares outstanding during the period for diluted computation	10,298	10,279	10,294	9,933

For the three and nine months ended September 30, 2024 and 2023, no shares of restricted stock awards were excluded from the calculations of diluted net income per share.

The Company has 15,000,000 authorized shares of Class A Non-Voting Stock and 1,040,000 authorized shares of Class B Stock. As of September 30, 2024, 9,416,339 shares of Class A Non-Voting Stock and 881,452 shares of Class B Stock were issued and outstanding. As of September 30, 2023, 9,395,541 shares of Class A Non-Voting Stock and 881,452 shares of Class B Stock were issued and outstanding. The par value for both classes is \$ 1.00 per share.

Equity per common share was \$ 23.15 and \$ 23.00 at September 30, 2024 and December 31, 2023, respectively. These amounts were computed by dividing common stockholders' equity by the number of weighted average shares of common stock outstanding on September 30, 2024 and December 31, 2023, respectively.

NOTE 15 – COMMON STOCK OFFERING

On May 23, 2023, the Company completed the sale of 695,650 shares of its Class A Stock, par value \$ 1.00 per share, at a price to the public of \$ 50 per share. The net proceeds to the Company from the offering, after deducting the underwriting discounts and commissions and other offering costs, were approximately \$ 33.0 million. The Company also granted the underwriter a 30 -day option to purchase up to an additional 104,348 shares of Class A Stock at the public offering price, less the underwriting discount. On June 16, 2023, the underwriter exercised its over-allotment option, to purchase 67,689 shares of Class A Stock at the public offering price. The net proceeds to the Company resulting from the exercise of the over-allotment option, after deducting the underwriting discounts and commissions and other offering costs, were approximately \$ 3.2 million. All of the shares of Class A Stock sold in the offering were offered by the Company.

The proceeds from both the initial offering and the over-allotment option were used to repay short-term borrowings, including borrowings incurred under our lines of credit with Citizens Bank and CoBank, incurred primarily to finance capital expenditures, including investment in utility plant and equipment, and other general corporate purposes.

NOTE 16 – LEGAL PROCEEDINGS

Periodically, we are involved in other proceedings or litigation arising in the ordinary course of business. We do not believe that the ultimate resolution of these matters will materially affect our business, financial position or results of operations. However, we cannot ensure that we will prevail in any litigation and, regardless of the outcome, may incur significant litigation expense and may have significant diversion of management attention.

Several of the water systems of Artesian Resources' subsidiaries are claimants in two multi-district litigation, or MDL, class action settlements designed to resolve claims for per - and polyfluoroalkyl substances, or PFAS, contamination in Public Water Systems' Drinking Water, as those terms are defined in the respective Agreements (the "Settlements"), which are with two groups of settling defendants on behalf of: (1) the 3M company ("3M"); and (2) E.I. Du Pont de Nemours and Company (n/k/a EIDP, Inc.), DuPont de Nemours Inc., The Chemours Company, The Chemours Company FC, LLC, and Corteva, Inc. (collectively, "DuPont"). Phase One Public Water System Settlement Claims Forms have been submitted on behalf of Artesian Resources' eligible systems in each of the Settlements. The amount of any recovery, if any, by Artesian Resources' subsidiaries is uncertain.

Several of the water systems of Artesian Resources' subsidiaries are eligible claimants in the MDL class action settlement designed to resolve claims for PFAS contamination in Public Water Systems' Drinking Water, as those terms are defined in the settlement agreement of settling defendants Tyco Fire Products LP and Chemguard, Inc. (the "Tyco Settlement"). The Tyco Settlement is not yet effective. The deadline for eligible claimants to submit requests for exclusion from the settlement was September 23, 2024; Artesian Resources' subsidiaries have elected to remain in the settlement class. The amount of any recovery, if any, by Artesian Resources' subsidiaries is uncertain.

Several of the water systems of Artesian Resources' subsidiaries may be eligible claimants in the MDL class action settlement designed to resolve claims for PFAS contamination in Public Water Systems' Drinking Water, as those terms are defined in the settlement agreement of settling defendant BASF Corporation (the "BASF Settlement"). The BASF Settlement is not yet effective. The deadline for eligible claimants to submit requests for exclusion from the settlement was October 15, 2024; Artesian Resources' subsidiaries have elected to remain in the settlement class. The amount of any recovery, if any, by Artesian Resources' subsidiaries is uncertain.

NOTE 17 – BUSINESS SEGMENT INFORMATION

The Company's operating segments are comprised of its businesses which generate revenues and incur expenses, for which separate operational financial information is available and is regularly evaluated by management for the purpose of making operating decisions, assessing performance, and allocating resources. The Company operates its businesses primarily through one reportable segment, the Regulated Utility segment. The Regulated Utility segment is the largest component of the Company's business and includes an aggregation of our five regulated utility subsidiaries that are in the business of providing regulated water and wastewater services on the Delmarva Peninsula. Our regulated water utility services include treating, distributing, and selling water to residential, commercial, industrial, governmental, municipal and utility customers throughout the State of Delaware and in Cecil County, Maryland and to a residential community in Chester County, Pennsylvania. Our regulated wastewater utility services include the treatment and disposal of wastewater for customers in Sussex County, Delaware. The Company is subject to regulations as to its rates, services, and other matters by the states of Delaware, Maryland and Pennsylvania with respect to utility service within these states.

The Company also operates other non-utility businesses, primarily comprised of: Service Line Protection Plan services for water, sewer and internal plumbing; design, construction and engineering services; and contract services for the operation and maintenance of water and wastewater systems in Delaware and Maryland. These non-utility businesses do not individually or in the aggregate meet the criteria for disclosure of a reportable segment in accordance with generally accepted accounting principles and are collectively presented throughout this Quarterly Report on Form 10-Q within "Other" or "Non-utility", which is consistent with how management assesses the results of these businesses.

The accounting policies of the operating segments are the same as those described in Note 2 – Basis of Presentation. The Regulated Utility segment includes inter-segment costs related to leased office space provided by one non-utility business, calculated on the lower of cost or market method, which are eliminated to reconcile to the Condensed Consolidated Statements of Operations. The Regulated Utility segment also allocates certain corporate costs to the non-utility businesses. The measurement of depreciation, interest, and capital expenditures are predominately related to our Regulated Utility segment. These amounts in our non-utility business are negligible and account for approximately less than 1% of condensed consolidated amounts as of September 30, 2024 and September 30, 2023.

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Regulated Utility	\$ 27,450	\$ 24,877	\$ 76,080	\$ 69,377
Other (non-utility)	1,751	1,747	5,198	5,101
Inter-segment elimination	(59)	(54)	(176)	(161)
Consolidated Revenues	\$ 29,142	\$ 26,570	\$ 81,102	\$ 74,317
Operating Income:				
Regulated Utility	\$ 8,289	\$ 6,387	\$ 19,555	\$ 16,104
Other (non-utility)	301	274	953	828
Consolidated Operating Income	\$ 8,590	\$ 6,661	\$ 20,508	\$ 16,932
Income Taxes:				
Regulated Utility	\$ 2,147	\$ 1,929	\$ 5,298	\$ 4,300
Other (non-utility)	208	320	684	856
Consolidated Income Taxes	\$ 2,355	\$ 2,249	\$ 5,982	\$ 5,156
			September 30, 2024	December 31, 2023
Assets:				
Regulated Utility			\$ 781,225	\$ 760,339
Other (non-utility)			14,795	6,493
Consolidated Assets			\$ 796,020	\$ 766,832

NOTE 18 – IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued amended guidance for improvements to reportable segment disclosures. The amendments in this update require the Company to disclose significant segment expenses that are regularly provided to the chief operating decision makers, or CODMs, and are included within each reported measure of segment operating results. The standard also requires the Company to disclose the total amount of any other items included in segment operating results which were not deemed to be significant expenses for separate disclosure, along with a qualitative description of the composition of these other items. In addition, the standard also requires disclosure of the CODM's, title and position, as well as detail on how the CODM uses the reported measure of segment operating results to evaluate segment performance and allocate resources. The standard also aligns interim segment reporting disclosure requirements with annual segment reporting disclosure requirements. The Company will adopt the standard effective with our December 31, 2024 year end reporting, and the standard will be effective for interim reporting periods in fiscal years beginning after December 15, 2024, with early adoption permitted. The standard requires retrospective application to all prior periods presented. While the standard requires additional disclosures related to the Company's reportable segments, management does not expect the standard to have an impact on the Company's results of operations or cash flows due to the adoption of this guidance.

In December 2023, FASB issued amended guidance on Income Taxes: Improvements to Income Tax. The amendments require the Company to provide further disaggregated income tax disclosures for specific categories on the effective tax rate reconciliation, as well as additional information about federal, state/local and foreign income taxes. The standard also requires the Company to annually disclose its income taxes paid (net of refunds received), disaggregated by jurisdiction. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be applied on a prospective basis, although optional retrospective application is permitted. While the standard will require additional disclosures related to the Company's income taxes, management does not expect the adoption of this guidance to have an impact on the Company's results of operations or cash flows.

ITEM 2**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Statements in this Quarterly Report on Form 10-Q that express our "belief," "anticipation" or "expectation," as well as other statements that are not historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act and the Private Securities Litigation Reform Act of 1995. Statements regarding our goals, priorities, growth and expansion plans and expectation for our water and wastewater subsidiaries and non-regulated subsidiaries, customer base growth opportunities in Delaware and Cecil County, Maryland, our belief regarding the timing and results of our rate requests, our belief regarding our capacity to provide water services for the foreseeable future to our customers, our belief relating to our compliance and the cost to achieve compliance with relevant governmental regulations, including per- and polyfluoroalkyl substances ("PFAS") regulations and the Lead and Copper Rule Improvements, our expectation of the timing of decisions by regulatory authorities, our belief regarding the success of any future rate increase request, the impact of weather on our operations and the execution of our strategic initiatives, our expectation of the timing for construction on new projects, our expectation relating to the adoption of recent accounting pronouncements, contract operations opportunities, legal proceedings, our properties, deferred tax assets, adequacy of our available sources of financing, the expected recovery of expenses related to our long-term debt, our expectation to be in compliance with financial covenants in our debt instruments, our ability to refinance our debt as it comes due, our ability to adjust our debt level, interest rate, maturity schedule and structure, the timing and terms of renewals of our lines of credit, plans to increase our wastewater treatment operations, engineering services and other revenue streams less affected by weather, expected future contributions to our postretirement benefit plan, anticipated growth in our non-regulated division, the impact of recent acquisitions on our ability to expand and foster relationships, anticipated investments in certain of our facilities and systems and the sources of funding for such investments, and the sufficiency of internally generated funds and credit facilities to provide working capital and our liquidity needs are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties that could cause actual results to differ materially from those projected. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "projects", "forecasts", "may", "should", variations of such words and similar expressions are intended to identify such forward-looking statements. Certain factors as discussed under Item 1A - Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2023, and this Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, such as changes in weather, changes in our contractual obligations, changes in government policies, the timing and results of our rate requests, failure to receive regulatory approval, changes in economic and market conditions generally, and other matters could cause results to differ materially from those in the forward-looking statements. While the Company may elect to update forward-looking statements, we specifically disclaim any obligation to do so and you should not rely on any forward-looking statement as a representation of the Company's views as of any date subsequent to the date of the filing of this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS FOR THE PERIOD ENDED SEPTEMBER 30, 2024**OVERVIEW**

Our profitability is primarily attributable to the sale of water and wastewater services in our regulated utility business. Our regulated utility segment comprised 93.6% of total operating revenues for the nine months ended September 30, 2024 and 93.2% for the nine months ended September 30, 2023. Water sales are subject to seasonal fluctuations, particularly during summer when water demand may vary with rainfall and temperature. In the event temperatures during the typically warmer months are cooler than expected or rainfall is greater than expected, the demand for water may decrease and our revenues may be adversely affected. We believe these effects of weather are short term and do not materially affect the execution of our strategic initiatives. Our wastewater services provide a revenue stream that is not affected by these changes in weather patterns. We continue to seek growth opportunities to provide wastewater services in Delaware and the surrounding areas.

Our profitability is also attributed to other non-utility business, such as various contract operations, SLP Plans and other services we provide. Our contract operations, SLP Plans and other services also provide a revenue stream that is not affected by changes in weather patterns. We also continue to explore and develop relationships with developers and municipalities in order to increase revenues from contract water and wastewater operations, wastewater management services, and design, construction and engineering services. We plan to continue developing and expanding our contract operations and other services in a manner that complements our growth in water service to new customers. Our anticipated growth in these areas is subject to changes in residential and commercial construction, which may be affected by interest rates, inflation and general housing and economic market conditions. We anticipate continued growth in our non-utility subsidiaries mostly due to our SLP Plans.

Inflation

We are affected by inflation, most notably by the continually increasing costs required to maintain, improve and expand our service capability. The cumulative effect of inflation results in significantly higher facility replacement costs as well as increased operating costs, which must be recovered from future cash flows. Our ability to recover increases in investments in facilities and operating costs is dependent upon future rate increases, which are subject to approval by the applicable regulatory authority. We can provide no assurances that any future rate increase request will be approved, and if approved, we cannot guarantee that any rate increase will be granted in a timely manner and/or will be sufficient in amount to cover costs for which we initially sought the rate increase. The impact of inflation could adversely affect our results of operations, financial position or cash flows.

Regulated Water Subsidiaries

Artesian Water, Artesian Water Maryland and Artesian Water Pennsylvania provide water service to residential, commercial, industrial, governmental, municipal and utility customers. Increases in the number of customers contribute to increases, or help to offset any intermittent decreases, in our operating revenue. As of September 30, 2024, the number of metered water customers in Delaware increased approximately 1.5% compared to September 30, 2023. The number of metered water customers in Maryland increased approximately 2.4% compared to September 30, 2023. The number of metered water customers in Pennsylvania remained consistent compared to September 30, 2023. For the nine months ended September 30, 2024, approximately 7.1 billion gallons of water were distributed in our Delaware systems and approximately 83.2 million gallons of water were distributed in our Maryland systems.

Artesian Water filed an initial request with the DEPSC on April 28, 2023, further supplemented with a request filed on November 30, 2023, to implement new rates to meet a requested increase in revenue of approximately \$16.7 million, on an annualized basis, or 22.7%. Temporary rates of approximately \$10.8 million, on an annualized basis, or 14.6%, that were in effect since November 28, 2023 were replaced with the final approved rates pursuant to a DEPSC order that authorized a total increase in water sales revenue of \$11.2 million on an annualized basis, or approximately 15.2%, with a rate effective date of June 12, 2024. In addition, on June 12, 2024, the DEPSC approved Artesian Water's application to implement a DSIC rate of 0.34%, effective July 1, 2024. The previous DSIC rate of 7.50% was reset to zero when the temporary base rate increase was placed into effect on November 28, 2023. This is discussed further in Note 13 – Regulatory Proceedings.

Regulated Wastewater Subsidiaries

Artesian Wastewater and TESI own wastewater collection and treatment infrastructure and provide regulated wastewater services to customers in Sussex County, Delaware. Artesian Wastewater Maryland is able to provide regulated wastewater services to customers in Maryland. It is not currently providing these services in Maryland. The majority of our residential and commercial wastewater customers are billed a flat monthly fee, and our large industrial wastewater customer is billed monthly based on wastewater flow, which contributes to providing a revenue stream unaffected by weather. As of September 30, 2024, the number of Delaware wastewater customers increased approximately 6.4% compared to September 30, 2023.

Non-Utility Subsidiaries

Artesian Utility provides contract water and wastewater operation services to private, municipal, and governmental institutions. Artesian Utility also offers three protection plans to customers, the WSLP Plan, the SSLP Plan, and the ISLP Plan. SLP Plan customers are billed a flat monthly or quarterly rate, which contributes to providing a revenue stream unaffected by weather. There has been consistent customer growth over the years. As of September 30, 2024, customers enrolled in the WSLP Plan, the SSLP Plan and the ISLP Plan increased 3.3%, 2.4% and 1.6%, respectively, compared to September 30, 2023.

Strategic Direction and Recent Developments

Our strategy is to increase customer growth, revenues, earnings and dividends by expanding our water, wastewater and SLP Plan services across the Delmarva Peninsula. We remain focused on providing superior service to our customers and continuously seek ways to improve our efficiency and performance. Our strategy has included a focus on building strategic partnerships with county governments, municipalities and developers. By providing water and wastewater services, we believe we are positioned as the primary resource for developers and communities throughout the Delmarva Peninsula seeking to fill both needs simultaneously. We believe we have a proven ability to acquire and integrate high growth, reputable entities, through which we have captured additional service territories that will serve as a base for future revenue. We believe this experience presents a strong platform for further expansion and that our success to date also produces positive relationships and credibility with regulators, municipalities, developers and customers in both existing and prospective service areas.

In our regulated water subsidiaries, our strategy is to focus on a wide spectrum of activities, which include strategic acquisitions of existing systems, expanding certificated service area, identifying new and dependable sources of supply, developing the wells, treatment plants and delivery systems to supply water to customers and educating customers on the wise use of water. Our strategy includes focused efforts to expand through strategic acquisitions and in new regions added to our Delaware service territory over the last 10 years. We plan to expand our regulated water service area in the Cecil County designated growth corridor and to expand our business through the design, construction, operation, management and acquisition of additional water systems. The expansion of our exclusive franchise areas elsewhere in Maryland and the award of contracts will similarly enhance our operations within the state.

Our ability to develop partnerships with various county governments, municipalities and developers has provided a number of opportunities. In the last four years, we completed seven acquisitions including asset purchase agreements with municipal and developer/homeowner association operated systems.

We believe that Delaware's generally lower cost of living in the region and availability of development sites in relatively close proximity to the Atlantic Ocean in Sussex County have resulted, and will continue to result, in increases to our customer base. Delaware's lower property and income tax rate make it an attractive region for new home development and retirement communities. Substantial portions of Delaware currently are not served by a public water system, which could also assist in an increase to our customer base as systems are added.

In our regulated wastewater subsidiaries, we foresee significant growth opportunities and will continue to seek strategic partnerships and relationships with developers and governmental agencies to complement existing agreements for the provision of wastewater service on the Delmarva Peninsula. There are numerous locations in Sussex County where Artesian Wastewater's and Sussex County's facilities are connected or integrated to allow for the movement and disposal of wastewater generated by one or the other's system in a manner that most efficiently and cost effectively manages wastewater transmission, treatment and disposal. In addition, Artesian Wastewater plans to utilize our larger regional wastewater facilities to expand service areas to new customers while transitioning our smaller treatment facilities into regional pump stations in order to gain additional efficiencies in the treatment and disposal of wastewater. We believe this will reduce operational costs at the smaller treatment facilities in the future because they will be converted from treatment and disposal plants to pump stations to assist with transitioning the flow of wastewater from one regional facility to another. In addition, Artesian's Delaware wastewater subsidiaries are the sole regional regulated wastewater utilities in Delaware, which we believe will enable us to increase efficiencies in the treatment and disposal of wastewater and provide additional opportunities to expand our wastewater operations.

In April 2024, Artesian Wastewater received a permit from the Delaware Department of Natural Resources and Environmental Control for and has commenced construction of a 625,000 gallon per day regional wastewater treatment facility, including a primary receiving headworks at its Sussex Regional Recharge Facility, or SRRF. Under its previous permit, SRRF provided solely land disposal services for a single commercial processing and treatment plant. Under its new permit, SRRF will continue providing those disposal services alongside the new treatment plant. The new treatment facility will provide service for Artesian Wastewater's regional system comprised primarily of residential and small commercial customers. The construction will also include the primary receiving facility for untreated effluent, sized to allow for the expansion of the regional treatment system planned for the site. The new treatment facility will utilize the existing disposal infrastructure.

The general need for increased capital investment in our water and wastewater systems is due to a combination of population growth, more protective water quality standards, aging infrastructure and acquisitions. Our planned and budgeted capital improvements over the next three years include projects for water infrastructure improvements and expansion in both Delaware and Maryland and wastewater infrastructure improvements and expansion in Delaware. The DEPSC and MDPSC have generally recognized the operating and capital costs associated with these improvements in setting water and wastewater rates for current customers and capacity charges for new customers.

In our non-utility subsidiaries, we continue pursuing opportunities to expand our contract operations. Through Artesian Utility, we will seek to expand our contract design, engineering and construction services of water and wastewater facilities for developers, municipalities and other utilities. We also anticipate continued growth due to our water, sewer and internal SLP Plans. Artesian Development owns two nine-acre parcels of land, located in Sussex County, Delaware, which allows for construction of a water treatment facility and wastewater treatment facility.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

As required by the Safe Drinking Water Act, the U.S. Environmental Protection Agency, or EPA, establishes maximum contaminant levels, or MCLs, for various substances found in drinking water to ensure that the water is safe for human consumption. On April 10, 2024, the EPA established MCLs for certain per- and polyfluoroalkyl substances, or PFAS, in drinking water. Water utilities will be required to complete initial monitoring for PFAS by 2027 and to conduct ongoing compliance monitoring. Water utilities also will be required to meet the new MCLs by April 2029 and to notify the public of any violations of the MCLs as of and after that date. The Company has installed treatment for PFAS at several wellfields to date and has included installation of treatment at additional locations in 2024 in its capital budget, with any remaining necessary treatment planned to be installed before 2029. The capital investment and operating costs for treatment of PFAS are anticipated to be recoverable in water rates charged to customers as approved by the applicable public service commission. The Company is participating in the multi-district litigation class action settlements with certain manufacturers of PFAS seeking reimbursement of costs incurred and that will continue to be incurred. See Note 16 – Legal Proceedings.

The Lead and Copper Rule, or LCR, is a federal regulation that limits the concentration of lead and copper allowed in public drinking water at the consumer's tap, in addition to limiting the permissible amount of pipe corrosion occurring due to the water itself. The LCR limits the levels of lead and copper in water by improving water treatment, testing for lead and copper at customer taps, and eliminating the water supply as a significant source of lead and copper. The EPA published a revised LCR in 2021, or LCR Revisions, to provide greater and more effective protection of public health by reducing exposure to lead and copper in drinking water. Implementation of the revised rule is intended to better identify high levels of lead, improve the reliability of lead tap sampling results, strengthen corrosion control treatment requirements, expand consumer awareness and improve risk communication. In addition, implementation of the revised rule is anticipated to accelerate lead service line replacements by closing existing regulatory loopholes, propelling early action, and strengthening replacement requirements. We have filed all required Lead Service Line Inventories by the October 16, 2024 deadline and are fully compliant with the LCR Revisions.

On October, 8, 2024, the EPA announced the new final regulations requiring the removal of lead water lines. The EPA's rule, known as the Lead and Copper Rule Improvements, or LCRI, requires all public water systems to remove lead service lines within 10 years, among other changes to regulations in the EPA's LCR. The service lines connect a home's plumbing system to a public water system's main water line. The LCRI specifies that the water provider will cover the cost for replacements of the customer's service line up to the first fitting inside the structure being served. Capital investment and operating costs incurred by water utilities for customer-side pipe replacements are typically recoverable in water rates charged to customers as approved by the applicable public service commission.

Results of Operations – Analysis of the Three Months Ended September 30, 2024 Compared to the Three Months Ended September 30, 2023.

Operating Revenues

Revenues totaled \$29.1 million for the three months ended September 30, 2024, \$2.6 million, or 9.7%, more than revenues for the three months ended September 30, 2023.

Water sales revenue increased \$2.5 million, or 11.3%, for the three months ended September 30, 2024 from the corresponding period in 2023, primarily as a result of a temporary rate increase of 14.6% of gross water sales placed into effect on November 28, 2023, as permitted under Delaware law. These temporary rates were replaced with the final approved rates pursuant to a DEPSC order that authorized a total increase of approximately 15.2%, with a rate effective date of June 12, 2024. The increase in both temporary rates and final approved customer base rates was partially offset by the Company's DSIC rate of 7.50% resetting to zero upon implementation of the temporary rate increase. In addition, there was an increase in overall water consumption due to drier weather experienced during the three months ended September 30, 2024 compared to the same period in 2023 and an increase in the number of customers served. We realized 82.7% and 81.5% of our total operating revenue for the three months ended September 30, 2024 and September 30, 2023, respectively, from the sale of water.

Other utility operating revenue increased approximately \$0.1 million, or 3.8%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This increase is primarily due to an increase in wastewater revenue associated with an increase in the number of customers served.

Operating Expenses

Operating expenses, excluding depreciation and income taxes, increased \$0.7 million, or 4.9%, for the three months ended September 30, 2024 compared to the same period in 2023.

Utility operating expenses increased \$0.5 million, or 4.6%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The increase in utility operating expenses consist of a \$0.1 million increase in each of purchased power costs, purchased water costs, supply and treatment costs, administrative costs and transmission, distribution and collection system costs.

Non-utility operating expenses increased \$0.1 million, or 8.1%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. This increase is primarily due to an increase in and the timing of plumbing repair costs associated with the SLP Plans.

The ratio of operating expense, excluding depreciation and income taxes, to total revenue was 51.2% for the three months ended September 30, 2024, compared to 53.5% for the three months ended September 30, 2023.

Depreciation and amortization expense decreased \$0.2 million, or 4.5%, primarily due to revised depreciation and amortization rates in utility plant as approved in the rate case effective June 12, 2024. The decrease was partially offset by additional depreciation from continued investment in utility plant related to providing supply, treatment, storage and distribution of water to customers and service to our wastewater customers.

Federal and state income tax expense increased \$0.1 million, or 4.7%, primarily due to higher pre-tax income in 2024 compared to 2023, partially offset by adjustments in 2023 related to the application of net operating loss valuation allowances.

Property and other taxes increased \$0.1 million, or 4.6%, primarily due to an increase in New Castle County, Delaware tax rates on utility plant, an increase in utility plant subject to taxation and an increase in payroll taxes. Property taxes are assessed on land, buildings and certain utility plant, which include the footage and size of pipe, hydrants and wells.

Other Income

Other income decreased \$0.2 million, primarily due to a decrease in allowance for funds used during construction, or AFUDC, as a result of lower long-term construction activity subject to AFUDC for the three months ended September 30, 2024 compared to the same period in 2023.

Net Income

Our net income applicable to common stock increased \$1.7 million, or 34.4%. Total operating revenues increased \$2.6 million, offset by a \$0.2 million decrease in other income and a \$0.7 million increase in total operating expenses.

Results of Operations – Analysis of the Nine Months Ended September 30, 2024 Compared to the Nine Months Ended September 30, 2023.

Operating Revenues

Revenues totaled \$81.1 million for the nine months ended September 30, 2024, \$6.8 million, or 9.1%, more than revenues for the nine months ended September 30, 2023.

Water sales revenue increased \$6.1 million, or 10.2%, for the nine months ended September 30, 2024 from the corresponding period in 2023, primarily as a result of a temporary rate increase of 14.6% of gross water sales placed into effect on November 28, 2023, as permitted under Delaware law. These temporary rates were replaced with the final approved rates pursuant to a DEPSC order that authorized a total increase of approximately 15.2%, with a rate effective date of June 12, 2024. The increase in both temporary rates and final approved customer base rates was partially offset by the Company's DSIC rate of 7.50% resetting to zero upon implementation of the temporary rate increase. In addition, there was an increase in overall water consumption due to drier weather experienced during the nine months ended September 30, 2024 compared to the same period in 2023 and an increase in the number of customers served. We realized 81.9% and 81.1% of our total operating revenue for the nine months ended September 30, 2024 and September 30, 2023, respectively, from the sale of water.

Other utility operating revenue increased approximately \$0.6 million, or 6.4%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This increase is primarily due to an increase in wastewater revenue associated with an increase in the number of customers served.

Non-utility operating revenue increased approximately \$0.1 million, or 1.7%, for the nine months ended September 30, 2024 compared to the same period in 2023, primarily due to an increase in SLP Plan revenue.

Operating Expenses

Operating expenses, excluding depreciation and income taxes, increased \$2.1 million, or 4.9%, for the nine months ended September 30, 2024 compared to the same period in 2023.

Utility operating expenses increased \$1.8 million, or 5.1%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase in utility operating expenses consists of a \$0.7 million increase in supply and treatment costs, a \$0.5 million increase in payroll and employee benefits costs, a \$0.2 million increase in each of purchased power costs and administrative costs, and a \$0.1 million increase in each of purchased water costs and transmission, distribution and collection system costs.

Non-utility operating expenses increased \$0.1 million, or 4.4%, primarily due to an increase in and the timing of plumbing repair costs associated with the SLP Plans.

The ratio of operating expense, excluding depreciation and income taxes, to total revenue was 54.8% for the nine months ended September 30, 2024, compared to 57.0% for the nine months ended September 30, 2023.

Depreciation and amortization expense increased \$0.3 million, or 3.0%, primarily due to continued investment in utility plant providing supply, treatment, storage and distribution of water to customers and service to our wastewater customers.

Federal and state income tax expense increased \$0.8 million, or 16.0%, primarily due to higher pre-tax income in 2024 compared to 2023, partially offset by adjustments in 2023 related to the application of net operating loss valuation allowances.

Property and other taxes increased \$0.2 million, or 3.8%, primarily due to an increase in New Castle County, Delaware tax rates on utility plant, an increase in utility plant subject to taxation and an increase in payroll taxes. Property taxes are assessed on land, buildings and certain utility plant, which include the footage and size of pipe, hydrants and wells.

Other Income

Other income decreased \$0.7 million, primarily due to a decrease in allowance for funds used during construction, or AFUDC, as a result of lower long-term construction activity subject to AFUDC for the nine months ended September 30, 2024 compared to the same period in 2023.

Interest Charges

Interest charges decreased \$0.4 million, primarily due to a decrease in short-term debt interest related to lower borrowing levels on the Company's lines of credit.

Net Income

Our net income applicable to common stock increased \$3.3 million, or 25.2%. Total operating revenues increased \$6.8 million and interest charges decreased \$0.4 million, offset by a \$3.2 million increase in total operating expenses and a \$0.7 million decrease in other income.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity for the nine months ended September 30, 2024 were \$30.1 million of cash provided by operating activities and \$14.2 million in net contributions and advances from developers. We depend on the availability of capital for expansion, construction and maintenance. We rely on our sources of liquidity for investments in our utility plant and to meet our various payment obligations.

Operating Activities

One of our primary sources of liquidity for the nine months ended September 30, 2024 was \$30.1 million provided by cash flow from operating activities, compared to \$23.4 million for the nine months ended September 30, 2023. The increase in cash flows from operating activities is primarily due to changes in net income, income tax receivable, and materials and supplies. Cash flows from operating activities is primarily provided by our utility operations and is impacted by the timeliness and adequacy of rate increases and changes in water consumption as a result of year-to-year variations in weather conditions, particularly during the summer. A significant part of our ability to maintain and meet our financial objectives is to ensure that our investments in utility plant and equipment are recovered in the rates charged to customers. As such, from time to time, we file rate increase requests to recover increases in operating expenses and investments in utility plant and equipment. See Note 13 – Regulatory Proceedings. We will continue to borrow on available lines of credit in order to satisfy current liquidity needs. In addition, the Company has a long history of paying regular quarterly dividends as approved by our Board of Directors using net cash from operating activities.

Investment Activities

The primary focus of our investments is to continue to provide high quality reliable service to our growing service territory. Capital expenditures during the first nine months of 2024 were \$30.9 million compared to \$48.8 million during the same period in 2023. During the first nine months of 2024, these investments include relocation of facilities as a result of government mandates, renewals associated with the rehabilitation of aging infrastructure, installation of new main, purchase of new transportation equipment, upgrading and automating our meter reading equipment, construction of a new wastewater treatment plant and upgrading existing pumping stations to better serve our customers. Developers contributed \$10.1 million of these total investments during the first nine months of 2024.

Financing Activities

For the nine months ended September 30, 2024, cash flows provided by financing activities were \$8.4 million, compared to \$30.6 million for the nine months ended September 30, 2023. Our primary source of liquidity from financing activities for the nine months ended September 30, 2024 was \$14.2 million in net contributions and advances from developers and \$0.8 million from the issuance of long-term debt. Cash flows provided by financing activities decreased due to the net proceeds from the issuance of Class A Stock in May 2023 and June 2023 as well as decreased contributions in aid of construction and borrowings on lines of credit. We have several sources of liquidity to finance our investment in utility plant and other fixed assets. We estimate that future investments will be financed by our operations and external sources. We expect to fund our activities for the next twelve months using our projected cash generated from operations, bank credit lines, and capital market financing as needed to provide sufficient working capital to maintain normal operations, to meet our financing requirements and to expand through strategic acquisitions. We believe that our cash on hand and future cash generated from the foregoing activities will provide adequate resources to fund our short-term and long-term capital, operating and financing needs. However, there is no assurance that we will be able to secure funding on terms acceptable to us, or at all. Our cash flows from operations are primarily derived from water sales revenues and may be materially affected by changes in water sales due to weather and the timing and extent of increases in rates approved by state public service commissions.

Material Cash Requirements

Lines of Credit and Long-Term Debt

At September 30, 2024, Artesian Resources had a \$40 million line of credit with Citizens Bank, or Citizens, which is available to all subsidiaries of Artesian Resources. As of September 30, 2024, there was \$40.0 million of available funds under this line of credit. The interest rate is a one-month Daily Secured Overnight Financing Rate, or SOFR, plus 10 basis points, or Term SOFR, plus an applicable margin of 0.85%, which was increased to 1.10% effective August 3, 2023. Term SOFR cannot be less than 0.00%. This is a demand line of credit and therefore the financial institution may demand payment for any outstanding amounts at any time. The term of this line of credit expires on the earlier of May 19, 2025 or any date on which Citizens demands payment. The Company expects to renew this line of credit.

At September 30, 2024, Artesian Water had a \$20 million line of credit with CoBank, ACB, or CoBank, that allows for the financing of operations for Artesian Water, with up to \$10 million of this line available for the operations of Artesian Water Maryland. As of September 30, 2024, there was \$20.0 million of available funds under this line of credit. The interest rate for borrowings under this line are either a daily SOFR rate plus 1.45% option or a term SOFR rate plus 1.45% option that is locked in for either one or three months. The term of this line of credit expires on October 31, 2025. Artesian Water expects to renew this line of credit.

The Company's material cash requirements include the following lines of credit commitments and contractual obligations:

Material Cash Requirements

	Payments Due by Period				
	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
<i>In thousands</i>					
First mortgage bonds (principal and interest)	\$ 7,870	\$ 15,659	\$ 39,045	\$ 198,313	\$ 260,887
State revolving fund loans (principal and interest)	1,222	2,130	2,130	9,797	15,279
Promissory note (principal and interest)	962	1,924	1,924	8,930	13,740
Asset purchase contractual obligation (principal and interest)	333	647	---	---	980
Lines of credit	---	---	---	---	---
Operating leases	35	70	58	1,424	1,587
Operating agreements	77	114	96	705	992
Unconditional purchase obligations	912	1,223	114	270	2,519
Tank painting contractual obligation	470	---	---	---	470
Total contractual cash obligations	<u>\$ 11,881</u>	<u>\$ 21,767</u>	<u>\$ 43,367</u>	<u>\$ 219,439</u>	<u>\$ 296,454</u>

Artesian's long-term debt agreements and revolving lines of credit contain customary affirmative and negative covenants that are binding on us (which are in some cases subject to certain exceptions), including, but not limited to, restrictions on our ability to make certain loans and investments, guarantee certain obligations, enter into, or undertake, certain mergers, consolidations or acquisitions, transfer certain assets or change our business. As of September 30, 2024, we were in compliance with these covenants.

Long-term debt obligations reflect the maturities of certain series of our first mortgage bonds, which we intend to refinance when due if not refinanced earlier. One first mortgage bond is subject to redemption in a principal amount equal to \$150,000 plus interest per calendar quarter. The state revolving fund loan obligation and promissory note obligation have an amortizing mortgage payment payable over a 20-year period. The first mortgage bonds, the state revolving fund loan and the promissory note have certain financial covenant provisions, the violation of which could result in default and require the obligation to be immediately repaid, including all interest. We have not experienced conditions that would result in our default under these agreements.

The asset purchase contractual obligation is related to the purchase of substantially all of the water operating assets from the Town of Clayton in May 2022, by Artesian Water. The total purchase price was \$5.0 million. At closing, Artesian Water paid approximately \$3.4 million. The balance is payable in five equal annual installments on the anniversary date of the closing date. Each annual installment is payable with interest at an annual rate of 2.0%.

In order to control purchased power cost, in February 2021, Artesian Water entered into an electric supply contract with MidAmerican that is effective from May 2021 to May 2025. The fixed rate was lowered 5.6% starting in May 2021. In February 2022, Artesian Water Maryland entered into an electric supply agreement with Constellation NewEnergy, Inc., effective from May 2022 through November 2025. In January 2022, following the acquisition of Tidewater Environmental Services, Inc. dba Artesian Wastewater, or TESI, assumed an electricity supply contract with WGL Energy that is effective through December 2024. These fixed rate electric supply contracts are for normal purchases and are not derivative instruments.

Payments for unconditional purchase obligations reflect minimum water purchase obligations based on rates that are subject to change under an interconnection agreement with the Chester Water Authority. The agreement is effective from January 1, 2022 through December 31, 2026, includes automatic five-year renewal terms, unless terminated by either party, and has a "take or pay" clause which required us to purchase water on a step-down schedule through July 5, 2022 and now requires us to purchase a minimum of 0.5 million gallons per day. In addition, payments for unconditional purchase obligations reflect minimum water purchase obligations based on a contract rate under our interconnection agreement with the Town of North East, which expires June 26, 2029. The agreement includes a remaining automatic five-year renewal term, unless terminated by either party.

In April 2021, Artesian Water entered into a 3-year agreement with Worldwide Industries Corporation effective July 1, 2021 to paint elevated water storage tanks. Pursuant to the agreement, the total expenditure for the three years was \$1.2 million. In September 2022, this agreement was amended to paint an additional elevated water storage tank and to extend the term of the agreement for an additional year. Pursuant to the amended agreement, the total expenditure for the four years is \$2.2 million.

Critical Accounting Estimates; Recent Accounting Pronouncements

This discussion and analysis of our financial condition and results of operations is based on the accounting policies used and disclosed in our 2023 consolidated financial statements and accompanying notes that were prepared in accordance with accounting principles generally accepted in the United States of America and included as part of our annual report on Form 10-K for the year ended December 31, 2023. The preparation of those financial statements required management to make assumptions and estimates that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements as well as the reported amounts of revenues and expenses during the reporting periods. Actual amounts or results could differ from those based on such assumptions and estimates.

Our critical accounting estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2023. There have been no changes in our critical accounting estimates. Our significant accounting policies are described in our notes to the 2023 consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2023.

Information concerning our implementation and the impact of recent accounting pronouncements issued by the FASB is included in the notes to our 2023 consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2023 and also in the notes to our unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q. We did not adopt any accounting policy in the first nine months of 2024 that had a material impact on our financial condition, liquidity or results of operations.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, short-term debt. The Company's exposure to interest rate risk related to existing fixed rate, long-term debt is due to the term of the majority of our First Mortgage Bonds and the term of the promissory note, which have final maturity dates ranging from 2028 to 2049, and interest rates ranging from 4.24% to 5.96%, which exposes the Company to interest rate risk as interest rates may drop below the existing fixed rate of the long-term debt prior to such debt's maturity. In addition, the Company has interest rate exposure on \$60 million of variable rate lines of credit with two banks. As of September 30, 2024 there were no outstanding balances on the lines of credit. Increases in variable interest rates result in an increase in the cost of borrowing on these variable rate lines of credit. We are also exposed to market risk associated with changes in commodity prices. Our risks associated with price increases in chemicals, electricity and other commodities are mitigated by our ability to recover our costs through rate increases to our customers. We have also sought to mitigate future significant electric price increases by signing multi-year supply contracts at fixed prices.

ITEM 4 – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective in providing reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In addition, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective to achieve the foregoing objectives. A control system cannot provide absolute assurance, however, that the objectives of the control system are met and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

Periodically, we are involved in other proceedings or litigation arising in the ordinary course of business. We do not believe that the ultimate resolution of these matters will materially affect our business, financial position or results of operations. However, we cannot ensure that we will prevail in any litigation and, regardless of the outcome, may incur significant litigation expense and may have significant diversion of management attention. For a full discussion of our current legal proceedings or litigation arising in the ordinary course of business, refer to Note 16 - Legal Proceedings.

ITEM 1A – RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition or future results. There have been no material changes to the risk factors described in such Annual Report on Form 10-K.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

(a) The Board of Directors (the "Board") of Artesian Resources Corporation (the "Company") approved amendments to the Company's By-laws (as amended and restated, the "By-laws"), which became effective on November 4, 2024. The amendments to the By-laws were focused on updating definitions relating to the advance notice provisions provided for in Article 1, Section 1.

The amendments to the advance notice provisions of the By-laws did not change the deadline by which stockholders must submit stockholder proposals and director nominations for consideration at a meeting of stockholders.

(b) None.

(c) None of the Company's directors or officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 30, 2024.

ITEM 6 - EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated By-laws of Artesian Resources Corporation.
31.1	Certification of Chief Executive Officer of the Registrant required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended. *
31.2	Certification of Chief Financial Officer of the Registrant required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended. *
32	Certification of Chief Executive Officer and Chief Financial Officer required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350). **
101.BAL	Inline XBRL Condensed Consolidated Balance Sheets (unaudited)*
101.OPS	Inline XBRL Condensed Consolidated Statements of Operations (unaudited)*
101.CSH	Inline XBRL Condensed Consolidated Statements of Cash Flows (unaudited)*
101.NTS	Inline XBRL Notes to the Condensed Consolidated Financial Statements (unaudited)*
104	The cover page from Artesian Resources Corporation's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024, formatted in Inline XBRL (contained in exhibit 101). *

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARTESIAN RESOURCES CORPORATION

Date: November 8, 2024 By: /s/ DIAN C. TAYLOR
Dian C. Taylor (Principal Executive Officer)

Date: November 8, 2024 By: /s/ DAVID B. SPACHT
David B. Spacht (Principal Financial Officer)

* Filed herewith

** Furnished herewith

ARTESIAN RESOURCES CORPORATION

AMENDED AND RESTATED BY-LAWS

ARTICLE I- STOCKHOLDERS

Section 1. Annual Meeting.

(1) An annual meeting of the stockholders of Artesian Resources Corporation (the "Corporation"), for the election of directors (the "Directors") to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen (13) months of the last annual meeting of stockholders. The Board of Directors may, in its sole discretion, determine that an annual meeting shall not be held at any place, but shall instead be held solely by means of the Internet or other electronic technology pursuant to which the stockholders have an opportunity to read or hear the proceedings substantially concurrently with their occurrence, vote on matters submitted to the stockholders and pose questions to the Directors.

(2) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting in accordance with these By-Laws, the Certificate of Incorporation, the Delaware General Corporation Law (the "DGCL"), and other applicable law. To be properly brought before an annual meeting of stockholders, business must be of a nature that is appropriate for consideration at an annual meeting and must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a stockholder Present in Person at the meeting who (A) is a record owner of shares of the Corporation's capital stock at the time of giving the notice provided for in this paragraph (2), (B) is a record owner of shares of the Corporation's capital stock as of the record date for the determination of stockholders entitled to notice of and to vote at the meeting in question, (C) is a record owner of shares of the Corporation's capital stock at the time of the meeting, (D) is entitled to vote at the meeting on the business proposed by the stockholder for consideration at the meeting, and (E) complies with the requirements set forth in this paragraph (2) in all applicable respects. Except with respect to proposed nominations of persons for election to the Board of Directors, which must be made in compliance with the provisions of Article I, Section 1, paragraph (3) of these By-Laws and except for stockholder proposals submitted for inclusion in the Corporation's proxy statement pursuant to, and in compliance with, Rule 14a-8 (and the interpretations thereunder) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which proposals are not excludable under Rule 14a-8 of the Exchange Act, whether pursuant to a no-action letter from the Staff of the Division of Corporation Finance of the Securities and Exchange Commission ("SEC") or a determination of a federal court of competent jurisdiction, and which are included in the notice of meeting given by or at the direction of the Board of Directors and the Corporation's proxy statement pursuant to Rule 14a-8 of the Exchange Act, the foregoing clause (iii) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of stockholders. In addition to the other requirements set forth in this paragraph (2), for any proposal of business to be considered at an annual meeting of stockholders, it (i) must be a proper subject for action by stockholders of the Corporation under these By-Laws, the Certificate of Incorporation, the DGCL and other applicable law, and (ii) must not relate to a matter that is expressly reserved for action by the Board of Directors under these By-Laws, the Certificate of Incorporation, the DGCL or other applicable law. For business to be properly brought before an annual meeting by a stockholder pursuant to this paragraph (2), the stockholder must have given (i) timely and proper notice thereof in writing to the Secretary of the Corporation (the "Proposal Notice") and (ii) provided any updates or supplements to the Proposal Notice at the times and in the forms required by this paragraph (2). To be timely, a Proposal Notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that if the date of the annual meeting is advanced by more than 30 days before, or delayed by more than 60 days after the Anniversary of the preceding year's annual meeting, the Proposal Notice to be timely must be so delivered not later than the close of business on the later of (i) the 100th day prior to such annual meeting or (ii) the 10th day following the day on which Public Announcement of the date of such meeting is first made. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period (or extend any time period) for the giving of a Proposal Notice as described above. For purposes of these By-Laws, "Notice Deadline" shall mean the last date for a stockholder to deliver a Proposal Notice or a Nominating Notice in accordance with the provisions of this paragraph (2). To be in proper written form, a Proposal Notice shall set forth: (i) the name and address, as they appear on the Corporation's books, of the stockholder proposing to bring business before the Corporation's annual meeting of stockholders (each such stockholder, a "Proponent") and any Stockholder Associated Person; (ii) (A) the class or series and number of shares of capital stock of the Corporation which are owned, directly or indirectly, beneficially (within the meaning of Rule 13d-3 under the Exchange Act) and/or of record, by such Proponent or any Stockholder Associated Person, provided that such Proponent or Stockholder Associated Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation's equity securities as to which such Proponent or Stockholder Associated Person has a right to acquire beneficial ownership at any time in the future, whether such right is exercisable immediately, only after the passage of time or only upon the satisfaction of certain conditions precedent, (B) any derivative positions held or beneficially held by the Proponent and any Stockholder Associated Person and whether and a description in reasonable detail of the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other proxy, agreement, arrangement or understanding has been made or relationship exists, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or provide a right to vote or increase or decrease the voting power

of, such Proponent or any Stockholder Associated Person with respect to the Corporation's securities, and (C) a representation that the Proponent is a holder of record of stock of the Corporation entitled to vote at such meeting on the business proposed by the stockholder for consideration at the meeting and intends to be Present in Person at the meeting to propose such business; (iii) as to each matter the Proponent proposes to bring before the meeting, (A) a reasonably detailed description of the business desired to be brought before the meeting, (B) the text of the proposed business (including the text of any resolutions proposed for consideration and in the event such business includes a proposal to amend these By-Laws, the Certificate of Incorporation or any policy of the Corporation, the text of the proposed amendment), and (C) a reasonably detailed description of the reasons for conducting such business at the meeting; (iv) a reasonably detailed description of any interest, direct or indirect, monetary or non-monetary, of the Proponent or any Stockholder Associated Person in the proposed business described in the Proposal Notice, including any anticipated benefit therefrom to be received by the Proponent or any Stockholder Associated Person; (v) a description in reasonable detail of any pending, or to the knowledge of the Proponent or any Stockholder Associated Person, threatened, legal proceeding in which any Proponent or Stockholder Associated Person is a party or participant involving the Corporation or any officer, Director, affiliate, associate, or employee of the Corporation; (vi) a description in reasonable detail of any relationship (including any direct or indirect interest in any agreement, arrangement or understanding, whether written or oral and whether formal or informal) between the Proponent or any Stockholder Associated Person and the Corporation or any Director, officer, affiliate, associate, or employee of the Corporation (naming such Director, officer, affiliate, associate, or employee); (vii) a description in reasonable detail of any contacts and discussions between the Proponent or any Stockholder Associated Person and any officer, Director, or employee of the Corporation (naming such officer, Director, or employee and listing the dates and describing the nature of such contacts and discussions); (viii) a reasonably detailed description of any relationship, agreement, arrangement or understanding, written or oral, direct or indirect, with respect to the business proposed to be brought before the annual meeting by the Proponent, between or among any Proponent or any Stockholder Associated Person and any other person or entity (naming each such person or entity), including without limitation any agreements, arrangements and understandings that would be required to be disclosed pursuant to Item 5 or Item 6 of Schedule 13D if a Schedule 13D relating to the Corporation was filed with the SEC by such Proponent or Stockholder Associated Person pursuant to the Exchange Act (regardless of whether the requirement to file a Schedule 13D is applicable to such Proponent or Stockholder Associated Person); (ix) a description in reasonable detail of any plans or proposals of the Proponent or any Stockholder Associated Person relating to the Corporation that would be required to be disclosed by such Proponent or Stockholder Associated Person pursuant to Item 4 of Schedule 13D if a Schedule 13D relating to the Corporation was filed with the SEC by such Proponent or Stockholder Associated Person pursuant to the Exchange Act (regardless of whether the requirement to file a Schedule 13D with the SEC is applicable to such Proponent or Stockholder Associated Person) together with a description of any agreements, arrangements or understandings (whether written or oral and whether formal or informal) that relate to such plans or proposals and naming all the parties to any such agreements, arrangements or understandings; (x) all other information relating to (A) the proposed business described in the Proposal Notice, (B) the Proponent, or (C) any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filing required to be filed with the SEC in connection with a contested solicitation of proxies in which the Proponent or any Stockholder Associated Persons are participants in a solicitation subject to Section 14 of the Exchange Act; and (xi) a representation whether the Proponent or any Stockholder Associated Person intends or is part of a group which intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding shares required to approve or adopt the proposed business or otherwise to solicit proxies from stockholders in support of such proposed business.

(i) A Proponent shall update and supplement its Proposal Notice as necessary, from time to time, so that the information provided or required to be provided in such Proposal Notice pursuant to this paragraph (2) shall be true, correct and complete in all respects not only prior to the Notice Deadline but also at all times thereafter and prior to the meeting, and such update and supplement shall be received by the Secretary of the Corporation not later than the earlier of (i) five business days following the occurrence of any event, development or occurrence that would cause the information provided in the Proposal Notice to be not true, correct and complete in all respects, or (ii) ten business days prior to the publicly disclosed date of the meeting at which such proposed business contained therein are to be considered; *provided, however*, that should any such event, development or occurrence take place within ten business days prior to such meeting, such update and supplement shall be received by the Secretary of the Corporation not later than one business day following any such event, development or occurrence. For the avoidance of doubt, the updates required pursuant to this subsection (i) do not cause a Proposal Notice that was not true, correct and complete in all respects and in compliance with this paragraph (2) when first delivered to the Corporation prior to the Notice Deadline to thereafter be in proper form in accordance with this paragraph (2).

(ii) Upon written request by the Secretary of the Corporation, the Board of Directors or any duly authorized committee thereof, any Proponent who has submitted a Proposal Notice to the Corporation shall provide, within five business days of delivery of such request (or such other period as may be specified in such request), written verification, in a form and manner, including, if requested, an executed and notarized affidavit, satisfactory in the reasonable discretion of the Board of Directors or any duly authorized committee thereof to demonstrate the accuracy of any information submitted by such Proponent in the Proposal Notice delivered pursuant to this paragraph (2). If a Proponent fails to provide such written verification within such period and in the form requested, the information as to which written verification was requested shall be deemed not to have been provided in accordance with this paragraph (2).

(iii) Notwithstanding anything in these By-Laws to the contrary, no business (other than the election of Directors, the nomination of whom shall be governed by Article I, Section 1, paragraph (3) of these By-Laws) shall be conducted at any annual stockholders' meeting except in accordance with the requirements set forth in this paragraph (2). The chairman of the meeting shall, if the facts warrant, determine, in consultation with counsel (who may be the Corporation's internal counsel), and declare to the meeting that business was not properly brought before the meeting in

accordance with the requirements set forth in these By-Laws, and if he or she should so determine, he or she shall so declare to the meeting and any such proposed business not properly brought before the meeting shall not be transacted.

(iv) Notwithstanding the foregoing provisions of this paragraph (2), the disclosures required by this paragraph (2) shall not include any disclosures with respect to the ordinary course of business activities of any broker, dealer, commercial bank, or trust company who is deemed a Proponent or Stockholder Associated Person solely as a result of being the stockholder directed to prepare and submit a Proposal Notice required by these By-Laws on behalf of a beneficial owner of the shares held of record by such broker, dealer, commercial bank, or trust company and who is not otherwise affiliated or associated with such beneficial owner.

(v) Notwithstanding the foregoing provisions of this paragraph (2), a Proponent shall also comply with any and all applicable requirements of the Exchange Act, the SEC, the DGCL and other applicable law with respect to the matters set forth in this paragraph (2), any solicitation of proxies contemplated by the Proponent in connection with its submission of a Proposal Notice to the Corporation, and any filings made with the SEC in connection therewith.

(vi) Nothing in these By-Laws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to, and subject to the limitations and requirements of, Rule 14a-8 under the Exchange Act and the SEC's and the SEC Staff's interpretations, guidance and no-action letter determinations relating thereto.

(vii) For a Proposal Notice to comply with the requirements of this paragraph (2), each of the requirements of this paragraph (2) shall be directly and expressly responded to and the Proposal Notice must clearly indicate and expressly reference which provisions of this paragraph (2) the information disclosed is intended to be responsive to. Any global cross-references shall be disregarded and information disclosed in the Proposal Notice in response to any provision of this paragraph (2) shall not be deemed responsive to any other provision hereof unless it is expressly cross-referenced to such other provision and it is clearly apparent how such information is responsive to such other provision.

(viii) For a Proposal Notice to comply with the requirements of this paragraph (2), it must set forth in writing directly within the body of the Proposal Notice, rather than being incorporated by reference from any pre-existing document or writing, including, but not limited to, any documents publicly filed with the SEC, all the information required to be included therein as set forth in this paragraph (2), and each of the requirements of this paragraph (2) shall be directly responded to in a manner that makes it clearly apparent how the information provided is specifically responsive to any requirements of this paragraph (2).

(ix) A Proponent submitting a Proposal Notice, by its delivery to the Corporation, represents and warrants that all information contained therein, as of the Notice Deadline, is true, accurate and complete in all respects and contains no false or misleading statements, and such Proponent acknowledges that it intends for the Corporation and the Board of Directors to rely on such information as (i) being true, accurate and complete in all respects and (ii) not containing any false or misleading statements. If the information submitted pursuant to this paragraph (2) by such Proponent shall not be true, correct and complete in all respects prior to the Notice Deadline, such information shall be deemed not to have been provided in accordance with this paragraph (2).

(x) Notwithstanding the foregoing provisions of this paragraph (2), unless otherwise required by applicable law, if the Proponent is not Present in Person at the annual meeting of stockholders to present the proposed business, such proposed business shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation. In addition, business proposed to be brought before an annual meeting by a Proponent may not be brought before an annual meeting if such Proponent takes action contrary to the representations made in the Proposal Notice applicable to such business or if (i) when submitted to the Corporation prior to the Notice Deadline, the Proposal Notice applicable to such business contained an untrue statement of a fact or omitted to state a fact necessary to make the statements therein not misleading, or (ii) after being submitted to the Corporation, the Proposal Notice applicable to such business was not updated or supplemented by the Proponent in accordance with these By-Laws to cause the information provided in the Proposal Notice to be true, correct and complete in all respects.

(xi) A Proponent submitting a Proposal Notice pursuant to this paragraph (2), by its delivery to the Corporation, acknowledges that it understands that nothing contained therein shall be considered confidential or proprietary information and that neither the Corporation, the Board of Directors, nor any agents or representatives thereof shall be restricted, in any manner, from publicly disclosing or using any of the information contained in a Proposal Notice.

(xii) Nothing in this paragraph (2) shall be deemed to give any stockholder the right to have any proposal included in any proxy statement prepared by the Corporation, and, to the extent any such right exists under the Exchange Act or other applicable law or governmental regulation, such right shall be limited to the right expressly provided under such applicable law or governmental regulation. Notwithstanding any notice of the meeting or proxy statement sent to stockholders on behalf of the Corporation, a stockholder must separately comply with this paragraph (2) to propose business at any annual meeting. If a stockholder's proposed business is the same or relates to business brought by the Corporation and included in the Corporation's meeting notice, proxy statement or any supplement thereto, such stockholder is nevertheless still required to comply with this paragraph (2) and deliver its own separate and timely Proposal Notice to the Secretary of the Corporation that complies in all respects with the requirements of this paragraph (2).

(3) Nominations of persons for election to the Board of Directors of the Corporation may be made at a

meeting of stockholders only (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation (a “Nominating Stockholder”) Present in Person at the meeting who (A) is a record owner of shares of the Corporation’s capital stock at the time of giving the notice provided for in this paragraph (3), (B) is a record owner of shares of the Corporation’s capital stock as of the record date for the determination of stockholders entitled to notice of and to vote at the meeting in question, (C) is a record owner of shares of the Corporation’s capital stock at the time of the meeting, (D) is entitled to vote at the meeting on the election of directors, and (E) complies with the notice procedures set forth in this paragraph (3) in all applicable respects. The foregoing clause (ii) shall be the exclusive means for a stockholder to propose any nomination of a person or persons for election to the Board of Directors at a stockholders’ meeting. Without qualification, for a stockholder to propose a nomination of a person or persons for election to the Board of Directors at a stockholders’ meeting, the stockholder must (i) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation containing the information with respect to such stockholder and its proposed candidates for nomination for election to the Board of Directors as required to be set forth by this paragraph (3) (collectively, the “Nominating Notice”) and (ii) provide any updates or supplements to such Nominating Notice at the times and in the forms required by this paragraph (3). To be timely, a Nominating Notice must be delivered to the Secretary of the Corporation within the time periods specified by paragraph (2) of this Article I, Section 1 for timely delivery of a Proposal Notice and must be delivered no later than the Notice Deadline. To be in proper written form, a Nominating Notice shall set forth: (i) the name and address, as they appear on the Corporation’s books, of the Nominating Stockholder and any Stockholder Associated Person; (ii) all information as to the Nominating Stockholder, each person whom the Nominating Stockholder proposes to nominate for election or re-election as a Director (each, a “Stockholder Nominee”), and each Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filing required to be filed by the Nominating Stockholder with the SEC in connection with a contested solicitation of proxies for the election of Directors pursuant to Regulation 14A under the Exchange Act, including such person’s written consent to being named in the proxy statement of the Nominating Stockholder as a nominee of the Nominating Stockholder and to serving as a Director of the Corporation if elected; (iii) (A) the class or series and number of shares of capital stock of the Corporation which are owned, directly or indirectly, beneficially (within the meaning of Rule 13d-3 under the Exchange Act) and/or of record, by the Nominating Stockholder or any Stockholder Associated Person, provided that such Nominating Stockholder or Stockholder Associated Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation’s equity securities as to which such Nominating Stockholder or Stockholder Associated Person has a right to acquire beneficial ownership at any time in the future, whether such right is exercisable immediately, only after the passage of time or only upon the satisfaction of certain conditions precedent, (B) any derivative positions held or beneficially held by such Nominating Stockholder or any Stockholder Associated Person and whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other proxy, agreement, arrangement or understanding has been made or relationship exists, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or provide a right to vote or increase or decrease the voting power of, such Nominating Stockholder or any Stockholder Associated Person with respect to the Corporation’s securities, and (C) a representation that such Nominating Stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting on the election of directors and intends to be Present in Person at the meeting to propose such nomination; (iv) a reasonably detailed description of any agreement, arrangement or understanding, written or oral, or any direct or indirect relationship the Nominating Stockholder or any Stockholder Associated Person may have with any Stockholder Nominee, including but not limited to, those pursuant to which the nomination is proposed to be made, or with any other person or persons (naming such person or persons) with respect to such nomination; (v) a description in reasonable detail of any relationship (including any direct or indirect interest in any agreement, arrangement or understanding, whether written or oral and whether formal or informal) between the Nominating Stockholder or any Stockholder Associated Person and the Corporation or any Director, officer, or other employee of the Corporation (naming such Director, officer, or other employee); (vi) a description in reasonable detail of any contacts and discussions between the Nominating Stockholder or any Stockholder Associated Person and any officer, Director, or employee of the Corporation (naming such officer, Director, or employee and listing the dates and describing the nature of such contacts and discussions); (vii) a description in reasonable detail of any interest, direct or indirect, monetary or non-monetary, of the Nominating Stockholder or any Stockholder Associated Person in having any Stockholder Nominee elected to the Board of Directors, including any anticipated benefit therefrom to be received by the Nominating Stockholder or any Stockholder Associated Person; (viii) a description in reasonable detail of any pending, or to the knowledge of the Nominating Stockholder or any Stockholder Associated Person, threatened, legal proceeding in which any Nominating Stockholder or Stockholder Associated Person is a party or participant involving the Corporation or any officer, Director, affiliate, associate, or employee of the Corporation; (ix) as to each Stockholder Nominee, (A) all information that would be required to be set forth in a Nominating Notice pursuant to this paragraph (3) if such Stockholder Nominee was a Nominating Stockholder, (B) a list of all other publicly-traded companies, whether or not currently publicly-traded or currently in existence, where such Stockholder Nominee had been proposed as a candidate for election to a board of directors (or similar governing body) by the Nominating Stockholder, (C) a description in reasonable detail of any and all agreements, arrangements and/or understandings (whether written or oral and formal or informal) between such Stockholder Nominee and any person or entity (naming such person or entity) in connection with such Stockholder Nominee’s service or action as a proposed candidate and, if elected, as a member of the Board of Directors, (D) to the extent that such Stockholder Nominee has been convicted of any past criminal offenses involving a felony, fraud, dishonesty or a breach of trust or duty, a description in reasonable detail of such offense and all legal proceedings relating thereto, (E) to the extent that such Stockholder Nominee has been determined by any governmental authority or self-regulatory organization to have violated any federal or state securities or commodities laws, including but not limited to, the Securities Act of 1933, as amended, the Exchange Act or the Commodity Exchange Act of 1936, as amended, a description in reasonable detail of such violation and all legal proceedings relating thereto, (F) to the extent that such Stockholder Nominee has ever been suspended or barred by any governmental authority or self-regulatory organization from engaging in any profession or participating in any industry, or has otherwise been subject to a disciplinary action by a governmental authority or self-regulatory organization that provides oversight over the

Stockholder Nominee's current or past profession or an industry that the Stockholder Nominee has participated in, a description in reasonable detail of such action and the reasons therefor, (G) a description in reasonable detail of any and all litigation, whether or not judicially resolved, settled or dismissed, relating to the Stockholder Nominee's past or current service on the board of directors (or similar governing body) of any corporation, limited liability company, partnership, trust or any other entity where a legal complaint filed in any state or federal court located within the United States alleges that the Stockholder Nominee committed any act constituting (a) a breach of fiduciary duties, (b) misconduct, (c) fraud, (d) breaches of confidentiality obligations, and/or (e) a breach of the entity's code of conduct applicable to directors, and (H) the amount of any equity securities beneficially owned by such Stockholder Nominee in any company that is a direct competitor of the Corporation or its operating subsidiaries if such beneficial ownership by such nominee, when aggregated with that of all other Stockholder Nominees, the Nominating Stockholder and all Stockholder Associated Persons, is five percent or more of the class of equity securities of such company; (x) a reasonably detailed description of any agreement, arrangement or understanding, written or oral, or any direct or indirect relationship, with respect to the nomination proposed to be brought before the meeting by the Nominating Stockholder, between or among any Nominating Stockholder or any Stockholder Associated Person and any other person or entity (naming each such person or entity), including without limitation any agreements, arrangements and understandings that would be required to be disclosed pursuant to Item 5 or Item 6 of Schedule 13D if a Schedule 13D relating to the Corporation was filed with the SEC by such Nominating Stockholder or Stockholder Associated Person pursuant to the Exchange Act (regardless of whether the requirement to file a Schedule 13D is applicable to such Nominating Stockholder or Stockholder Associated Person); (xi) a description in reasonable detail of any plans or proposals of the Nominating Stockholder, any Stockholder Associated Person or any Stockholder Nominee relating to the Corporation that would be required to be disclosed by such Nominating Stockholder, Stockholder Associated Person or Stockholder Nominee pursuant to Item 4 of Schedule 13D if a Schedule 13D relating to the Corporation was filed with the SEC by such Nominating Stockholder, Stockholder Associated Person or Stockholder Nominee pursuant to the Exchange Act (regardless of whether the requirement to file a Schedule 13D with the SEC is applicable to such Nominating Stockholder, Stockholder Associated Person or Stockholder Nominee) together with a description of any agreements, arrangements or understandings (whether written or oral and whether formal or informal) that relate to such plans or proposals and naming all the parties to any such agreements, arrangements or understandings; (xii) a description in reasonable detail of all direct and indirect compensation, reimbursement, indemnification, benefits and other agreements, arrangements and understandings (whether written or oral, formal or informal and monetary or non-monetary) during the past three years, and any other relationships, between or among a Nominating Stockholder, a Stockholder Associated Person, if any, and a Stockholder Nominee, including all information that would be required to be disclosed pursuant to Items 403 and 404 promulgated under Regulation S-K (or any such successor rule) if such Nominating Stockholder or Stockholder Associated Person was the "registrant" for purposes of such Items and the Stockholder Nominee was a director or executive of such registrant; and (xiii) a representation as to whether the Nominating Stockholder and/or the Stockholder Associated Person, if any, intends or is part of a group which intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the Stockholder Nominee or otherwise to solicit proxies from stockholders in support of such nomination.

(i) With respect to each Stockholder Nominee whom a Nominating Stockholder proposes to nominate for election or re-election to the Board of Directors, the Nominating Notice must, in addition to the matters set forth above, also include the completed and signed questionnaire required by subsection (xiii) of this Article I, Section 1, paragraph (3).

(ii) A Nominating Stockholder shall update and supplement its Nominating Notice as necessary, from time to time, so that the information provided or required to be provided in such notice pursuant to this paragraph (3) shall be true, correct and complete in all respects not only prior to the Notice Deadline but also at all times thereafter and prior to the meeting, and such update and supplement shall be received by the Secretary of the Corporation not later than the earlier of (i) five business days following the occurrence of any event, development or occurrence that would cause the information provided in the Nominating Notice to be not true, correct and complete in all respects, or (ii) ten business days prior to the publicly disclosed date of the meeting at which such nominations contained therein are to be considered; *provided, however*, that should any such event, development or occurrence take place within ten business days prior to such meeting, such update and supplement shall be received by the Secretary of the Corporation not later than one business day following any such event, development or occurrence. For the avoidance of doubt, the updates required pursuant to this subsection (ii) do not cause a Nominating Notice that was not true, correct and complete in all respects and in compliance with this paragraph (3) when first delivered to the Corporation prior to the Notice Deadline to thereafter be in proper form in accordance with this paragraph (3).

(iii) Upon written request by the Secretary of the Corporation, the Board of Directors or any duly authorized committee thereof, any Nominating Stockholder who has submitted a Nominating Notice to the Corporation shall provide, within five business days of delivery of such request (or such other period as may be specified in such request), written verification, in a form and manner, including, if requested, an executed and notarized affidavit, satisfactory in the reasonable discretion of the Board of Directors or any duly authorized committee thereof to demonstrate the accuracy of any information submitted by such stockholder in the Nominating Notice delivered pursuant to this paragraph (3). If a Nominating Stockholder fails to provide such written verification within such period and in the form requested, the information as to which written verification was requested shall be deemed not to have been provided in accordance with this paragraph (3).

(iv) No person shall be eligible to serve as a Director of the Corporation unless nominated in accordance with the procedures set forth in this paragraph (3). The chairman of the meeting shall, if the facts warrant, determine, in consultation with counsel (who may be the Corporation's internal counsel), and declare to the meeting that the proposed nomination was not made in accordance with the requirements set forth in these By-Laws, and if he or she should so

determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

(v) Notwithstanding the foregoing provisions of this paragraph (3), the disclosures required by this paragraph (3) shall not include any disclosures with respect to the ordinary course of business activities of any broker, dealer, commercial bank, or trust company who is deemed a Nominating Stockholder or Stockholder Associated Person solely as a result of being the stockholder directed to prepare and submit a Nominating Notice required by these By-Laws on behalf of a beneficial owner of the shares held of record by such broker, dealer, commercial bank, or trust company and who is not otherwise affiliated or associated with such beneficial owner.

(vi) Notwithstanding the foregoing provisions of this paragraph (3), a Nominating Stockholder shall also comply with any and all applicable requirements of the Exchange Act, the SEC, the DGCL and other applicable law with respect to the matters set forth in this paragraph (3), any solicitation of proxies contemplated by the Nominating Stockholder in connection with its submission of a Nominating Notice to the Corporation, and any filings made with the SEC in connection therewith.

(vii) For a Nominating Notice to comply with the requirements of this paragraph (3), each of the requirements of this paragraph (3) shall be directly and expressly responded to and the Nominating Notice must clearly indicate and expressly reference which provisions of this paragraph (3) the information disclosed is intended to be responsive to. Any global cross-references shall be disregarded and information disclosed in the Nominating Notice in response to any provision of this paragraph (3) shall not be deemed responsive to any other provision hereof unless it is expressly cross-referenced to such other provision and it is clearly apparent how such information is responsive to such other provision.

(viii) For a Nominating Notice to comply with the requirements of this paragraph (3), it must set forth in writing directly within the body of the Nominating Notice, rather than being incorporated by reference from any pre-existing document or writing, including, but not limited to, any documents publicly filed with the SEC, all the information required to be included therein as set forth in this paragraph (3), and each of the requirements of this paragraph (3) shall be directly responded to in a manner that makes it clearly apparent how the information provided is specifically responsive to any requirements of this paragraph (3).

(ix) A Nominating Stockholder submitting a Nominating Notice, by its delivery to the Corporation, represents and warrants that all information contained therein, as of the Notice Deadline, is true, accurate and complete in all respects and contains no false or misleading statements, and such Nominating Stockholder acknowledges that it intends for the Corporation and the Board of Directors to rely on such information as (i) being true, accurate and complete in all respects and (ii) not containing any false or misleading statements. If the information submitted pursuant to this paragraph (3) by such Nominating Stockholder shall not be true, correct and complete in all respects prior to the Notice Deadline, such information shall be deemed not to have been provided in accordance with this paragraph (3).

(x) Notwithstanding the foregoing provisions of this paragraph (3), unless otherwise required by applicable law, if the Nominating Stockholder is not Present in Person at the stockholders' meeting to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation. In addition, nominations proposed to be brought before a stockholders' meeting by a Nominating Stockholder may not be brought before a meeting if such Nominating Stockholder takes action contrary to the representations made in the Nominating Notice applicable to such nominations or if (i) when submitted to the Corporation prior to the Notice Deadline, the Nominating Notice applicable to such nominations contained an untrue statement of a fact or omitted to state a fact necessary to make the statements therein not misleading, or (ii) after being submitted to the Corporation, the Nominating Notice applicable to such nominations was not updated or supplemented by the Nominating Stockholder in accordance with these By-Laws to cause the information provided in the Nominating Notice to be true, correct and complete in all respects.

(xi) A Nominating Stockholder submitting a Nominating Notice pursuant to this paragraph (3), by its delivery to the Corporation, acknowledges that it understands that nothing contained therein shall be considered confidential or proprietary information and that neither the Corporation, the Board of Directors, nor any agents or representatives thereof shall be restricted, in any manner, from publicly disclosing or using any of the information contained in a Nominating Notice.

(xii) Nothing in this paragraph (3) shall be deemed to give any stockholder the right to have any nominations included in any proxy statement prepared by the Corporation. Notwithstanding any notice of the meeting, proxy statement or supplement thereto sent to stockholders on behalf of the Corporation, a stockholder must separately comply with this paragraph (3) to propose any nominations at any stockholders' meeting, including delivering its own separate and timely Nominating Notice to the Secretary of the Corporation that complies in all respects with the requirements of this paragraph (3).

(xiii) To be eligible to be a nominee for election or re-election as a Director of the Corporation, a Stockholder Nominee must deliver (in accordance with the time periods prescribed for delivery of notice specified by paragraph (2) of this Section 1 for timely delivery of a Proposal Notice, and no later than the Notice Deadline) to the Secretary of the Corporation at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualifications of such Stockholder Nominee (which questionnaire shall be provided by the Secretary of the Corporation upon written request).

(4) Certain Definitions.

(i) “close of business” shall mean 5:00 p.m., local time, at the principal executive offices of the Corporation on any calendar day, whether or not such day is a business day.

(ii) “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

(iii) “Present in Person” shall mean that the Proponent or the Nominating Stockholder, as the case may be, or, if such person is not an individual, a qualified representative of such person, appears in person at such stockholders’ meeting.

(iv) “Public Announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the SEC pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(v) A “qualified representative” of any stockholder means a person who is a duly authorized officer, manager or partner of such stockholder (including, as applicable, a Proponent or a Nominating Stockholder) or has been authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy with respect to the specific matter to be considered at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction (to the reasonable satisfaction of the chairman of the meeting) of the writing or electronic transmission, at the meeting of stockholders prior to the taking of action by such person on behalf of the stockholder.

(vi) “Stockholder Associated Person” means with respect to any Proponent or Nominating Stockholder, (i) any person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such Proponent or Nominating Stockholder and any other beneficial owner of stock of the Corporation owned of record or beneficially by such Proponent or Nominating Stockholder, (ii) any Affiliate or Associate (within the meaning of Rule 12b-2 under the Exchange Act) of such Proponent or Nominating Stockholder or beneficial owner, (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such Proponent or Nominating Stockholder in any solicitation contemplated by the Proposal Notice or the Nominating Notice, and (iv) each person who may be deemed to be a member of a “group” (as such term is used in Rule 13d-5 under the Exchange Act) with any such Proponent or Nominating Stockholder or beneficial owner (or their respective Affiliates and Associates) relating to the equity securities of the Corporation, regardless of whether such person is disclosed as a member of a “group” in a Schedule 13D or an amendment thereto filed with the SEC relating to the Corporation.

Section 2. Special Meetings: Notice.

(1) Special meetings of the stockholders, other than those required by statute, may be called at any time by the Board of Directors acting pursuant to a resolution approved by a majority of the Whole Board. For purposes of these By-laws, the term “Whole Board” shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. The Board of Directors may postpone or reschedule any previously scheduled special meeting.

(2) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation’s notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation’s notice of meeting (a) by or at the direction of the Board of Directors or (b) by any stockholder of record of the Corporation who is a stockholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in Section 1 of this Article I. Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the stockholder’s notice required by the third paragraph of Section 1 of this Article I shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(3) Notwithstanding the foregoing provisions of this Section 2, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.

Section 3. Notice of Meetings.

Written or electronic notice of the place, if any, date, and time of all meetings of the stockholders, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the Corporation).

When a meeting is adjourned to another place, date or time, notice need not be given of the adjourned meeting if the place, if any, date and time thereof and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meetings are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, notice of the place, if any, date, and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting,

shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 4. Quorum.

At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law. Where a separate vote by a class or classes or series is required, a majority of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the chairman of the meeting may adjourn the meeting to another place, if any, date, or time.

Section 5. Organization.

Such person as the Board of Directors may have designated or, in the absence of such a person, the Chairman of the Board or, in his or her absence, the Chief Executive Officer of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman appoints.

Section 6. Conduct of Business.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The chairman shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

Section 7. Proxies and Voting.

At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

The Corporation may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast affirmatively or negatively.

Section 8. Stock List.

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting in the manner provided by law.

The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as required by law. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

Section 9. Consent of Stockholders in Lieu of Meeting.

Any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the date the earliest dated consent is delivered to the Corporation, a written consent or consents signed by a sufficient number of holders to take action are delivered to the Corporation in the manner prescribed in the first paragraph of this Section.

In the event of the delivery, in the manner provided by this Section 9 and applicable law, to the Corporation of a written consent or consents to take corporate action and/or any related revocation or revocations, the Corporation shall engage independent inspectors of elections for the purpose of performing promptly a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent and without a meeting shall be effective until such inspectors have completed their review, determined that the requisite number of valid and unrevoked consents delivered to the Corporation in accordance with this Section 9 and applicable law have been obtained to authorize or take the action specified in the consents, and certified such determination for entry in the records of the Corporation kept for the purpose of recording the proceedings of meetings of stockholders. Nothing contained in this Section 9 shall in any way be construed to suggest or imply that the Board of Directors or any stockholder

shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

ARTICLE II – BOARD OF DIRECTORS

Section 1. Number, Election and Term of Directors.

Subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies. The directors, other than those who may be elected by the holders of any series of preferred stock under specified circumstances, shall be divided, with respect to the time for which they severally hold office, into three classes with the term of office of the first class to expire at the first annual meeting of stockholders following the adoption of the provision set forth in Article Sixth, Section 6.01 of the Certificate of Incorporation, the term of office of the second class to expire at the second annual meeting of stockholders following the adoption of the provision set forth in Article Sixth, Section 6.01 of the Certificate of Incorporation and the term of office of the third class to expire at the third annual meeting of stockholders following the adoption of the provision set forth in Article Sixth, Section 6.01 of the Certificate of Incorporation, with each director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, commencing with the first annual meeting, (i) directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified, and (ii) if authorized by a resolution of the Board of Directors, directors may be elected to fill any vacancy on the Board of Directors, regardless of how such vacancy shall have been created.

Section 2. Newly Created Directorships and Vacancies.

Subject to applicable law and to the rights of the holders of any series of preferred stock with respect to such series of preferred stock, and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the entire Board of Directors shall shorten the term of any incumbent director.

Section 3. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 4. Special Meetings.

Special meetings of the Board of Directors may be called by the President or by two or more directors then in office and shall be held at such place, on such date, and at such time as they or he or she shall fix. Notice of the place, date, and time of each such special meeting shall be given each director by whom it is not waived by mailing written notice not less than five (5) days before the meeting or by telephone or by telegraphing or telexing or by facsimile transmission or electronic transmission of the same not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 5. Quorum.

At any meeting of the Board of Directors, a majority of the total number of the Whole Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 6. Participation in Meetings By Conference Telephone.

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 7. Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 8. Powers.

The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

- (1) To declare dividends from time to time in accordance with law;
- (2) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;
- (3) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;

- (4) To remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;
- (5) To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;
- (6) To adopt from time to time such stock option, stock purchase, bonus or other compensation plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine;
- (7) To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine; and,
- (8) To adopt from time to time regulations, not inconsistent with these By-laws, for the management of the Corporation's business and affairs.

Section 9. Compensation of Directors.

Unless otherwise restricted by the certificate of incorporation, the Board of Directors shall have the authority to fix the compensation of the directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or paid a stated salary or paid other compensation as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefore. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE III - COMMITTEES

Section 1. Committees of the Board of Directors.

The Board of Directors may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member. The Board of Directors has, by resolution passed by a majority of the Whole Board, elected that the Corporation be governed by Section 141(c)(2) of the Delaware General Corporation Law. Accordingly, any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all powers which may require it; but no such committee shall have the power or authority in reference to the following matter: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval (other than the election or removal of directors) or (ii) adopting, amending or repealing any by-law of the Corporation.

Section 2. Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third (1/3) of the members shall constitute a quorum unless the committee shall consist of one (1) or two (2) members, in which event one (1) member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

ARTICLE IV - OFFICERS

Section 1. Generally. The officers of the Corporation shall consist of a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as may from time to time be appointed by the Board of Directors. Officers shall be elected by the Board of Directors, which shall consider that subject at its first meeting after every annual meeting of stockholders. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person. The salaries of officers elected by the Board of Directors shall be fixed from time to time by the Board of Directors or by such officers as may be designated by resolution of the Board.

Section 2. President.

Unless otherwise provided by the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. Subject to the provisions of these By-laws and to the direction of the Board of Directors, he or she shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him or her by the Board of Directors. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

Section 3. Vice President.

Each Vice President shall have such powers and duties as may be delegated to him or her by the Board of Directors. One (1) Vice President shall be designated by the Board to perform the duties and exercise the powers of the President in the event of the President's absence or disability.

Section 4. Treasurer.

The Treasurer shall have the responsibility for maintaining the financial records of the Corporation. He or she shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions and of the financial condition of the Corporation. The Treasurer shall also perform such

other duties as the Board of Directors may from time to time prescribe.

Section 5. Secretary.

The Secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board of Directors. He or she shall have charge of the corporate books and shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 6. Delegation of Authority.

The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

Section 7. Removal.

Any officer of the Corporation may be removed at any time, with or without cause, by the Board of Directors.

Section 8. Action with Respect to Securities of Other Corporations.

Unless otherwise directed by the Board of Directors, the President or any officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE V - STOCK

Section 1. Certificates of Stock.

Each holder of stock represented by a certificate shall be entitled to a certificate signed by, or in the name of the Corporation by, the President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be by facsimile.

Section 2. Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these by-laws, an outstanding certificate for the number of shares involved, if one has been issued, shall be surrendered for cancellation before a new certificate, if any, is issued therefor.

Section 3. Record Date.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may, except as otherwise required by law, fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to the first sentence of this paragraph). If no record date has been fixed by the Board of Directors within 10 days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporation action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

Section 4. Lost, Stolen or Destroyed Certificates.

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5. Regulations.

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other

regulations as the Board of Directors may establish.

ARTICLE VI - NOTICES

Section 1. Notices.

Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, recognized overnight delivery service or by sending such notice by facsimile, receipt acknowledged, or by prepaid telegram or mailgram. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered, or deposited in the mail, if delivered through the mails or by telegram or mailgram, shall be the time of the giving of the notice.

Section 2. Waivers.

A written waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such person, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the sole purpose of objecting to the timeliness of notice.

ARTICLE VII - MISCELLANEOUS

Section 1. Facsimile Signatures.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these By-laws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 2. Corporate Seal.

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

Section 3. Reliance upon Books, Reports and Records.

Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 4. Fiscal Year.

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 5. Time Periods.

In applying any provision of these By-laws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

Section 6. Board Signatures.

A resolution in writing (in one or more counterparts) signed by all the members of the Board of Directors or all the members of any committee of the Board of Directors, as applicable (including signed copies sent by facsimile or email), or a resolution electronically signed by all the members of the Board of Directors or all the members of any committee of the Board of Directors, as applicable, via the Corporation's digital board management software, shall be as valid and effectual as if it had been passed at a meeting of the Board of Directors or committee of the Board of Directors, as the case may be, duly convened and held.

ARTICLE VIII - INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification.

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director, officer or controller of the Corporation or is or was serving at the request of the Corporation as a director, officer, or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, controller or trustee or in any other capacity while serving as a director, officer, controller or trustee, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this ARTICLE VIII with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 2. Right to Advancement of Expenses.

In addition to the right to indemnification conferred in Section 1 of this Article VIII, an indemnitee shall also

have the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director, officer or controller (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise.

Section 3. Right of Indemnitee to Bring Suit.

If a claim under Section 1 or 2 of this ARTICLE VIII is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this ARTICLE VIII or otherwise shall be on the Corporation.

Section 4. Non-Exclusivity of Rights.

The rights to indemnification and to the advancement of expenses conferred in this ARTICLE VIII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Certificate of Incorporation, By-laws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5. Insurance.

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 6. Indemnification of Employees and Agents of the Corporation.

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 7. Nature of Rights.

The rights conferred upon indemnitees in this ARTICLE VIII shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, controller or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VIII that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE IX - AMENDMENTS

In furtherance and not in limitation of the powers conferred by law, the Board of Directors is expressly authorized to make, alter, amend and repeal these By-Laws subject to the power of the holders of capital stock of the Corporation to alter, amend or repeal the By-Laws; provided, however, that, with respect to the powers of holders of capital stock to make, alter, amend and repeal By-Laws of the Corporation, notwithstanding any other provision of these By-Laws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law, these By-Laws or any preferred stock, the affirmative vote of the holders of at least 75 percent of the voting power of all of the then-outstanding shares entitled to vote generally in the election of directors, voting together as a single class, shall be required to make, alter, amend or repeal any provision of these By-Laws.

**Certification of Chief Executive Officer of Artesian Resources Corporation
required by Rule 13a – 14 (a) under the Securities Exchange Act of 1934, as amended**

I, Dian C. Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024 of Artesian Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

/s/ DIAN C. TAYLOR

Dian C. Taylor

Chief Executive Officer (Principal Executive Officer)

**Certification of Chief Financial Officer of Artesian Resources Corporation
required by Rule 13a – 14 (a) under the Securities Exchange Act of 1934, as amended**

I, David B. Spacht, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024 of Artesian Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

/s/ DAVID B. SPACHT

David B. Spacht
Chief Financial Officer (Principal Financial Officer)

**Certification of Chief Executive Officer and Chief Financial Officer
pursuant to 18 U.S.C. Section 1350**

Dian C. Taylor, Chief Executive Officer, and David B. Spacht, Chief Financial Officer, of Artesian Resources Corporation, a Delaware corporation (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

- (1) The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2024 (the " Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or Section 78o), as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Report and the results of operations of the Company for the period covered by the Report.

Date: November 8, 2024

CHIEF EXECUTIVE OFFICER:

CHIEF FINANCIAL OFFICER:

/s/ DIAN C. TAYLOR
Dian C. Taylor

/s/ DAVID B. SPACHT
David B. Spacht

These certifications accompany the Report to which they relate, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.