

BY-LAWS

Article 1

Name and Place of Business

Section 1. The name of this corporation shall be Rural Water District No. 1, Cherokee County, Oklahoma.

Section 2. The principal office of this District shall be located in Cherokee County, Oklahoma.

Section 3. These rules are issued in compliance with the provisions of the rural water, sewer, and solid waste management districts act of Oklahoma (82 O.S. SUPP. 1972 SECTION 1324.1-1324.50 AND SUBSEQUENT ADDITIONS AND REVISIONS) If a provision of the By-Laws conflict with a provision of a State Statute, the provision of the statute shall prevail. If any portion of these By-Laws shall be declared invalid by competent authority, such invalidation shall now affect the validity of the remaining portions.

Article 2

Corporate Powers

Section 1. The corporate powers of this District shall be vested in the Board of Directors, hereinafter referred to as the Board.

Article 3

Purposes and Objectives of the District

Section 1. The purposes and objectives of this District are as follows:

(a) To acquire water and water rights and to build and acquire pipelines and other facilities, and to operate the same for the purpose of furnishing water to serve the needs of the owners and occupants of land located within the District, and others as authorized by these By-laws.

(b) To borrow money from any Federal or State agency, or from any other source, and to secure said loans by mortgaging or pledging all of the physical assets and revenue and income of the District, including easements and rights-of-way.

(c) To hold such real and personal property as may come into its possession by will, gift, purchase, or otherwise, as authorized by law, and to acquire and dispose of such real and personal property, including rights-of-way and easements, wherever located, and as may be necessary and convenient for the proper conduct and operation of the business of the District.

- (d) To establish rates and impose charges for water furnished to participating members and others.
- (e) To enter into contracts for the purpose of accomplishing the purposes of the District with any person or governmental agency.
- (f) To cooperate with any person or with any governmental agency in any undertaking designed to further the purposes of the District.
- (g) To do and perform any and all acts necessary or desirable for the accomplishment of the purposes of the District which may lawfully be done by such District under the laws of the State of Oklahoma.

Article 4
Water Users

Section 1: Water shall be supplied to customers of the District located within or without the boundaries of the District subject to approval by the Board and subject to rules and regulations adopted by the Board for such purposes.

Section 2: No owner of land located within the district shall be eligible to purchase services from the district unless he has first subscribed and paid for one or more Benefit Units. The purchase of a Benefit Unit shall entitle the owner of said Benefit Unit to participate in the business affairs of the District.

Tenants of a Benefit Unit owner may become customers of the District provided that the Benefit Unit owner (for the land occupied by the Tenant), has subscribed and paid for one or more Benefit Units in favor of the land or premises occupied by the tenant. The Benefit Unit owner agrees that the Benefit Unit owner is jointly and severally liable for any unpaid services provided by the District to the tenant.

Article 5
Right To Vote

Section 1: Only Benefit Unit owners shall have the right to vote provided payment of all sums due the District are current according to the rules and regulations adopted by the Board governing payment terms. Each Benefit Unit owner shall be entitled to a single vote, regardless of the number of Benefit Units to which he may have subscribed/purchased. All Benefit Unit owners shall be eligible to vote at Annual or Special meetings of the Benefit Unit owners. There shall be no proxy voting, and no dual membership of Benefit Units for voting purposes. A

participating member may be an individual, firm, partnership, association, corporation or other type of entity recognized by the laws of Oklahoma. All persons voting as the representative of an entity (corporation, LLC, partnership etc.) which is a Benefit Unit owner, said person shall present to the Board written documentation acceptable to the Board, showing the person's authority to act for said entity in order to be entitled to vote on behalf of said entity.

Benefit Unit owners shall be owners of land located within the District who have subscribed to one or more Benefit Units.

Article 6 Benefit Units

Section 1. The board shall at the proper time cause a declaration of availability of Benefit Units for subscription to be entered in its minutes and shall establish a unit price for said subscriptions. Each Benefit Unit shall carry with it the obligation of payment of a minimum monthly meter charge from the time service is available. The Board in its discretion may from time to time, if the capacity of the district's facilities permit, make additional Benefit Units available. Subscriptions for Benefit Units shall be given preference and priority in order in which received. Upon completion of a non-refundable hydraulic study, performed by an engineer appointed by the District and paid for by the subscriber, the Board may refuse the subscription for a Benefit Unit in favor of a particular tract of land located within the District, or impose special conditions on granting the same if in the judgment of the Board, the granting of such subscription and the furnishing of water pursuant thereto, would impair the service to other water users in that locality or be uneconomical, unfeasible, and place an undue burden on the district.

Proposed improvements and enlargements (additional distribution lines) authorized by this act shall be filed with the District Secretary. The total number of subscribers of any new improvement project shall be divided into the improvement cost to DETERMINE the cost of benefit units and unit cost fees as follows (O.S. 82-1324.12):

- 1) If the cost of the extension is less than the average cost of the entire system to each member, and sufficient construction funds are available, the Board may elect to make the extension upon the applicant's purchase of a benefit unit and signing a Water Users Agreement Form.
- 2) If the cost of the extension is greater than the average cost of the entire system to each member, but funds are available to the extent of such average cost, the Board may elect to contribute to the extension in an amount up to the average membership cost, and require the applicant to deposit, the additional cost required to make the extension. Also the applicants must purchase a water benefit unit and sign a Water Users Agreement Form.
- 3) In the event the District does not have funds available to pay for construction of the improvement in the amount of the average cost per member of the entire system, it may

require as a condition of extending service that the applicant deposit in addition to the price of a benefit unit an amount equal to the entire cost of the extension, In this event, the Board may, as funds become available, return to the benefit unit subscribers, that portion of their deposit (without interest) up to the average cost per member.

- 4) Extensions of services will not be started until cost estimates and agreements between subscribers and District are completed, in writing, this agreement must at a minimum include the following:
 - a) purchase of a benefit unit and signing of a Water Users Agreement Form by the user;
 - b) Property Owner Easement Forms are obtained where main line extensions are laid and filed with the county of record.
 - c) deposit of funds by the subscriber in the amount required by one of the above methods of computation;
 - d) a Declaration of Dedication to RWD #1 of all the subscriber's interest in the improvements made with the proceeds of this agreement;
 - e) payment of the unit fees and purchase of a water benefit unit entitles each new participating member to the same rights and entitlements as the original participating members;
 - f) in the event the member shall fail without just cause to connect to the District's distribution system after the extension is completed, and pay the minimum fee, the member will be assessed a lump sum amount (to be set by Board of Directors and revised from time to time) as liquidated damages for non-use of the newly constructed service extension.

Any landowner who feels himself aggrieved by such denial, or the imposition of special conditions, may appeal from the action of the Board to a vote of the members at the next regular meeting of the members, or special meeting of the members called for such purpose: Provided, the decision of the Board shall stand, unless 3/4ths of all participating members (or landowners at meetings where only qualification to vote is ownership of land within the District), vote in favor of a motion to overrule the decision of the Board.

Section 2. Upon the purchase of benefit units, the owners of land shall designate the tract of land to which the benefit units shall be assigned, and the benefit unit shall not be transferred from one tract of land to another within the district without approval of the board. The owner of lands subscribing for more than one benefit unit to be assigned to one tract of land shall at the time of said subscription designate as nearly as practical, the location of said tract where he intends to utilize said benefit units and no major change in location shall be made without the approval of the board.

Section 3. The consideration paid for Benefit Units shall be considered donations to the District and shall in no event and under no circumstances be refunded to the subscriber; provided, however, that should the District, through its Board of Directors, vote and decide to cut off any extension of its line because of same being uneconomical unfeasible, or placing an undue burden on the District. The landowner, however, may appeal the Board's decision pursuant to Section 1, Article 6 above.

Section 4: Benefit Units shall follow the title of the land unless the owner of the land designates otherwise in writing and such designation is approved by the Board. Such designation and approval by the Board must occur at the time the land owner holds title to the land otherwise said designation shall be deemed invalid and the Benefit Unit shall follow title to the land. Owners may transfer Benefit Units from one tract of land to another tract owned by them within the District, subject however, to the approval of the Board. No transfer in ownership of Benefit Units shall be permitted without the approval of the Board. No transfer will be approved unless all charges against all Benefit Units owned by said Benefit Unit owner are paid in full and said Benefit Unit holder is in compliance with all rules and regulations adopted by the Board. All transfers when approved shall be recorded in the books of the District. Meter to be set at the cost of the Membership Benefit Unit owner.

Section 5. Each connection service shall serve not to exceed one residence or business establishment together with the necessary and usual non-residential outbuildings.

Section 6. Section 6: Failure to pay the minimum monthly water meter charge within the time period specified by the District's rules, regulations or contract with the Benefit Unit owner, shall constitute an automatic forfeiture of the Benefit Unit(s) on behalf of which such failure occurs. Provided, further, that if the defaulting water subscriber is a tenant, the time set out by the board shall not commence to run until the Secretary of the District has mailed or caused to be mailed, by registered or certified mail, notice of such default of the tenant to the landowner at his last known address as shown on the books of the District.

Article 7 Election of Directors

Section 1. The Board of this District shall consist of five members, all of whom shall be participating members of the District: Provided, however, that the original Board shall consist of owners of land located in the District. The Directors elected at the time of the incorporation of the District shall be elected for staggered terms of one, two and three years, and shall serve until the expiration of the term for which they were elected as shown by the minutes of the original meeting of the landowners, and until their successors are elected and have qualified. At each

annual meeting of the participating members the participating members shall elect for a term of three years the number of Directors whose terms of office have expired. Any Director shall be eligible to succeed himself.

- A) A requirement for qualification to serve as a board member for a rural water district or a non-profit rural water corporation shall be a written pledge that upon election such board member shall attend a minimum of six (6) hours of workshop training to be offered periodically on a regional basis within twelve (12) months following election of such board member, and to be organized by the Oklahoma Water Resources Board in cooperation with the Oklahoma Rural Water Association with the purpose of study and instruction in areas of district financing, law, and the ethics, duties and responsibilities of district board members. All new and existing board members shall be required to obtain continuing education by attending a minimum of six (6) hours of workshop training every three (3) years. The district or corporation shall reimburse all reasonable expenses incurred by any board member for attending such training workshop. (82-1324.16)
- B) Should any pledging board member fail to attend the workshop training as required he or she shall be deemed ineligible to serve as a board member commencing at the next regularly scheduled meeting of the board following the twelve-month period. The remaining board members shall select from the membership, another qualified member to fill the vacancy and that person shall pledge to attend the workshop training provided for in O.S .82-1324.16. The appointed member shall only serve until the next regularly scheduled election of board members and an election shall be held to fill the unexpired term of the vacated position. (82-1324.16)
- C) Upon election or re-election, all board members must sign an Oath of Office which shall be notarized and filed with the Secretary of State.
- D) (1) In order that each director keep informed of the affairs of the District in accordance with the responsibility, each Director shall attend at least seventy-five percent (75%) of all board meetings within each calendar year. Failure to meet this attendance requirement shall be grounds for removal of a Director.

Section 2. Immediately following the annual meeting of the participating members, the board shall meet and shall elect a chairman, vice-chairman, secretary, and treasurer, from among themselves, each of whom shall hold office until the next annual meeting and until the election and qualification of his successor unless sooner removed by death, resignation or for cause. The office of the secretary and treasurer may be held by one person.

Section 3. Any vacancy in the board, other than from the expiration of a term of office, shall be filled by appointment by the remaining members of the board. The disqualification of a director as a participating member of the district or failure of any original director to become a participating member within 30 days after subscription to benefit units are made available through action of the board, shall operate to disqualify him as director and to create a vacancy in the office of the director.

Section 4. A majority of the board shall constitute a quorum at any meeting of the board.

Section 5. Any director of the district may be removed from office for cause by a vote of not less than 3/4ths of the participating members of the district at any annual or special meeting called for that purpose. The director shall be informed in writing of the charges preferred against him at least ten (10) days before such meeting, whether regular or special, and at the meeting shall have an opportunity to present witnesses and be heard in person and answer thereto. Officers of the board may be removed for cause by a majority vote (3) of the members of the board, and employees and agents may be discharged or removed from office at any time by action of the board.

Article 8 **Powers and Duties of Directors**

Section 1. The Board, subject to the restrictions of law, and these Bylaws, shall exercise all of the powers of the District and without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board shall have, and is hereby given full power and authority in respect to the matters as hereinafter set out:

(a) To select and appoint all agents and employees of the District or remove such agents and employees of the District at will, prescribe such duties and designate such powers as may not be inconsistent with these bylaws, and fix their compensation and pay for faithful services.

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

(c) To prescribe, adopt and amend, from time to time, such equitable and uniform rules and regulations, as, in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the District, and the guidance and control of its agents and employees.

(d) To fix charges to be paid by each water user for services rendered by the District to him, the time of payment, and manner of collection, and to establish equal rates for farm members and non-farm members according to the amount of services furnished.

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

(f) To select one or more banks to act as depositories of the funds of the District and to determine the manner of receiving, depositing and disbursing the funds of the District in the form of checks, and the person by whom the same shall be signed on behalf of the Chairman with the power to change such bank or person signing such checks and the form thereof at will.

(g) Prepare annually an estimated budget for the coming year, adjust rates, if necessary, to produce sufficient revenue required by such budget, cause an annual audit of the District records

and accounts to be made by a licensed municipal public accountant or qualified independent accountant, and make a report on said matters at each annual meeting of participating members.

Article 9
Powers and Duties of Manager

Section 1. The Board may employ for the District a manager, who shall have charge of the business of the association under the general control, supervision and direction of the Board. No Director shall serve as manager. Subject to the approval of the Board, the manager shall employ, supervise and dismiss all agents and employees of the District and fix their compensation. He shall also, so far as practical, conduct the business in such a way that all patrons receive equal service and treatment, deposit in a bank selected by the Board, all moneys belonging to the District, which comes into his possession; maintain his records and accounts in such a manner that the true and correct condition of the business may be ascertained there from at any time; furnish the Board a current statement of the business and affairs of the District at each scheduled meeting of the Board and at the end of each fiscal year and at such other times and in such forms as the Board may direct; carefully preserve and turn over to his successor all books, records, documents, and correspondence pertaining to the business of the District which may come into his possession; and to perform such other duties as may be prescribed by the Board.

Article 10
Duties of Officers

Section 1. Chairman. The Chairman, who shall be a member of the Board, shall preside over all meetings of the District and the Board, call special meetings of the District and the Board, perform all acts and duties usually performed by an executive and presiding officer, such other papers of the District as he may be authorized or directed to sign by the Board, provided the Board may authorize any person to sign checks, on behalf of the District, provided that all checks must be countersigned by the Treasurer. The Chairman shall perform such other duties as may be prescribed by the Board.

Section 2. Vice Chairman. In the absence or disability of the Chairman, the Vice Chairman, who shall be a member of the Board, shall perform the duties of the Chairman.

Section 3. Secretary. It shall be the duties of the Secretary, who shall be a member of the Board, to keep a record of the proceedings of the meetings of the Board and of the District. He shall serve, or cause to be served, all notices required to be served by law or the By-Laws of the District, and in case of his absence, inability, refusal or neglect to do so, then such notices may be served by any member of the Board directed by the Chairman.

Section 4. Treasurer. The Treasurer, who shall be a member of the Board. Shall receive and account for all funds of the District, shall deposit the same in some bank designated by the Board as a depository, and pay the amounts, or cause them to be paid out of the depository only in the checks of the Chairman, or someone authorized to sign on the Chairman's behalf, countersigned by the Treasurer. At each annual meeting of the District, he shall submit for the information of

the participating members a complete statement of his account for the past year, and he shall discharge such other duties pertaining to his office as shall be prescribed by the Board, and shall give a good and sufficient bond in such amount as may be fixed by the Board.

Article 11

Books and Records

Section 1. The books and records of the District, and such papers as may be placed on file by vote of the District or Directors, shall during all reasonable business hours, be subject to inspection of any landowner or participating member of the District.

Article 12

Annual Meeting of Participating Members

Section 1. The annual meeting of participating members of the District shall be held at some suitable location within the District designated by the Board, at 6:00 pm. on the third Thursday in May.

Section 2. Special meetings of participating members may be called at any time by the Chairman or upon resolution of the Board, or upon written petition to the Chairman of the Board, signed by 51% of the participating members of the District. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat except such as is specified in the notice.

Section 3. Notice of meetings of participating members of the District shall be given by mail to each participating member of record directed to the address shown upon the books of the District at least 10 days prior to the meeting. Such notice shall state the nature, time, place and purpose of the meeting, but no failure or irregularity of a notice of any annual meeting, regularly held, shall affect any proceeding taken thereat.

Section 4. The participating members present at any meeting of participating members shall constitute a quorum for the purpose of transacting business.

Section 5. The order of business at the regular meetings and so far as possible, at all other meetings, shall be:

- (a) Call to order;
- (b) Proof of Notice of Meeting;
- (c) Reading and approval of minutes of last meeting;
- (d) Report of officers and committees;
- (e) Election of Directors;

- (f) Unfinished business;
- (9) New Business;
- (h) Adjournment.

Any matter not placed on the Agenda for such meeting shall not be considered or acted upon at such meeting.

Article 13
Board Meetings

Section 1. The Board shall meet annually, immediately following the meeting of the participating members, and may meet at such or other times as may be determined by the Board, or upon call by the Chairman or any two members of the Board. Notice of all meetings of the Board, other than the annual meeting to be held on the third Thursday in May each year, shall be by mailing a notice to the last known business or residence address of each Director, at least two days before the holding of such meeting: Provided, however, that when all of the Directors are present at any meeting, however called, or consent in writing that such meeting may be held, the proceedings thereat shall be as valid as though the previous written notice aforesaid had been given.

Article 14
Manner of Election and Voting

Section 1: At all meetings of the Benefit Unit owners, each participating member, qualified as stated in these By-Laws, shall be entitled to vote upon all propositions coming before said District. No cumulative voting shall be permitted and each participating member of the District shall have but one vote.

Article 15
Seal

Section 1. The District shall have a corporate seal, consisting of a circle, having in its circumference and face the words, "Rural Water District No. 1, Cherokee County, Oklahoma", which shall be in the custody of the Secretary.

Article 16
Fiscal Year

Section 1. The fiscal year of the District shall begin the first day of January each year.

Article 17
Amendment

Section 1. These By-Laws may be repealed or amended by a vote of three-fourths of the participating members present at any Annual or Special meeting of the Benefit Unit owners, provided that any proposed amendments to the By-Laws shall be set forth verbatim in any notice or agenda for said meeting, except that the participating members shall not have the power to change the purposes of the District so as to impair its rights and powers under the laws of the State of Oklahoma, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the District or its participating members, or to deprive any participating member or landowner of rights and privileges then existing, or to so amend the By-Laws as to affect a fundamental change in the policies of the District. Notice of any amendment to be made at any Annual or Special meeting of the participating members must be given at least 10 days before such meeting and must set forth the amendments to be considered.

Article 18
Basis of Operation

Section 1. The District shall at all times be operated on a non-profit basis for the mutual benefit of its participating members.

Article 19
Benefits and Duties of Members

Section 1. The District shall install, maintain and operate a main distribution pipe line or lines from the source of water supply, and lines from the main distribution pipe line or lines, to the property line of each participating member of the District, at which point, designated as delivery points, meters to be purchased, installed, owned and maintained by the District shall be placed.

Section 2. Each participating member shall be entitled to purchase from the District, pursuant to such agreement as may from time to time be provided and required by the District and the Board, such water for domestic, livestock, garden and other purposes as a participating member may desire, subject, however, to the provisions of these By-Laws and such rules and regulations as may be prescribed by the Board. The water delivered to each participating member shall be metered.

Section 3. In the event the total water supply shall be insufficient to meet all of the needs of the members and users, or in the event there is a shortage of water, the District may prorate the water available among the various members and users on such a basis as is deemed equitable by the Board, and may also prescribe a schedule of hours, covering the use of water for garden purposes and require adherence thereto, or prohibit the use of water for garden purposes if at any time the total water supply shall be insufficient to meet all of the needs of all of the participating members for domestic, livestock, garden and other purposes, and the District must first satisfy all the needs of the participating members for domestic purposes before supplying any water for livestock purposes, and must satisfy all the needs of all the participating members for domestic and livestock purposes before supplying water for gardens or other purposes.

Article 20

Printing

Section 1. After adoption, these By-Laws shall be printed and a copy thereof shall be made available to the public at the business office of the District.

Article 21

Rules of Order

Section 1. All meetings of the Board of Directors and any other meetings held by the District shall be conducted pursuant to Roberts' Rules of Order and Procedure.

Signature:

Seal