



*DISTRICT RURAL WATER DISTRICT 3
PAYNE COUNTY, OKLAHOMA*

By-Laws

Article 1

Name and Place of Business

- Section 1. The name of this corporation shall be *Rural Water District 3, Payne County, Oklahoma*.
- Section 2. The principal office of this District shall be located in Payne County, Oklahoma.

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

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

- (a) To acquire water and water rights and to build and acquire pipe lines and other facilities, and to operate the same for the purpose of furnishing water to serve the needs of 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, entity or governmental agency.
- (f) To cooperate with any person, entity or 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 service shall be supplied to residents of land located within the District. Provided, however, that the Board may make water available to the public for purchase at such distribution points as it may establish.
- Section 2. No owner of land located within the District shall be eligible to become a water subscriber unless he or she has first subscribed and paid for one or more Benefit Units.

Article 5
Right to Vote

Section 1. Only participating members shall have the right to vote, and each participating member shall be entitled to a single vote, regardless of the number of Benefit Units to which he or she may have subscribed. The participating member must be present at the meeting to cast their own vote or if allowed may vote by proxy. All proxies shall be in writing and filed with the secretary. Such proxies may be general or restrictive. Proxies shall be revocable and shall not be valid beyond 11 months. There shall be no dual ownership of Benefit Units for voting purposes. A participating member may be an individual, firm, partnership, association, corporation or limited liability company.

Participating members shall be:

(a) Owners of land located within the District who have subscribed to one or more Benefit Units: Provided, payments of charges are current on all 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 paying 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. 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 said subscription and the furnishing of water service pursuant thereto, would impair the service to other users in that locality or be uneconomical, unfeasible, and place an undue burden on the District.

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 Units shall not be transferred from one tract of land to another within the District. 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 each tract where he or she intends to utilize said Benefit Units and no major change in location shall be made.

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.

Section 4. Benefit Units shall follow the title of the land. 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 the Benefit Unit are paid. All transfers when approved shall be recorded in the books of the District.

Section 5. Each Benefit Unit shall entitle the owner not to exceed one service from the District's water system. Each benefit unit (service) shall not exceed one residence or business establishment together with the necessary and usual out-buildings.

Section 6. Failure to pay the minimum monthly meter charge or failure to pay for water used through meter shall constitute a forfeiture of the Benefit Unit on behalf of which such failure occurs: Provided, that such Benefit Unit shall be reinstated if within three months after such failure all back charges are paid in full, plus 10% interest, late fees and reasonable labor charges necessary to effect such reconnections. Provided, further, that the Board may permit such reinstatement within six months after such failure upon payment of all back charges, plus 10% interest, late fees and reasonable labor charges necessary to effect such reconnections.

Article 7
Election of Directors

Section 1. The Board of this District shall consist of five members, all of whom shall be participating members and residents 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 from participating members in good standing.

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 of the participating members and until the election and qualification of his or her 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. If a director misses more than 35% of the annual regularly schedule meetings or is no longer a participating member in good standing, this shall operate to disqualify him or her as a 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. Officers and directors may be removed from office in the following manner: Any member, officer, or director may present charges against a director or officer by filing them in writing with the secretary of the District. If presented by a member, the charges must be accompanied by a petition signed by ten percent of the members of the district. Such removal shall be voted on at the next regular or special meeting of the members and shall be effective if approved by a vote of a majority of those voting if a quorum is present. The director or officer against whom such charges have been presented shall be informed, in writing, of such charges at least thirty days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges shall have the same opportunity. If the removal of a director is approved, such action shall also vacate any other office held by the removed director in the District. A vacancy in any office thus created shall be filled by the board of directors from among their number so constituted after the vacancy in the board has been filled.

Section 6. Board members must comply with Title 82 of Oklahoma Statutes Section 1324.16 with amendments. Title 82 OS 1324.16 establishes requirements for Board Member training.

Article 8
Powers and Duties of Directors

Section 1. The Board, subject to the restrictions of law, and these By-Laws, shall exercise all 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 for just cause, prescribe such duties and designate such powers as may not be inconsistent with these By-Laws, and fix their compensation and pay for faithful services.

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

(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, the time of payment, and the manner of collection, and to establish equal rates according to the amount of services furnished.

(e) To require all officers, agents, and 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 or other payment method, 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 water 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 public auditor or accountant or a qualified independent accountant, and make a report 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 district 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. The manager 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 money belonging to the district, which comes into the manager's possession; maintain records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom 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 or her successor all books, records, documents, and correspondence pertaining to the business of the district which may come into his or her 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, and shall sign all Benefit Unit and such other papers of the District as the Chairman 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. The Secretary shall serve, or cause to be served, all notices required by law or the By-Laws of the District; and in case of his or her absence, inability, refusal or neglect to do so, 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 have general charge and supervision of the books and records of the corporation. At each annual meeting of the District, the Treasurer shall

submit for the information of the participating members a complete statement of his or her account for the past year and shall discharge such other duties pertaining to his or her 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 participating member of the District.

Article 12

Annual Meeting of Participating Members

Section 1. The annual meeting of the participating members of the District shall be held at some suitable location within Payne County, and accessible to the membership as designated by the Board.

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 10% of all 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 constructive notice to each participating member of record directed to the address shown upon the books of the District at least ten (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 the transacting of business.

Section 5. The order of business at the regular meeting 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;
- (g) New business;
- (h) Adjournment.

Article 13

Board Meetings

Section 1. The Board shall meet annually on the second Tuesday in January of each year, and will also meet annually to elect officers immediately following the time for election of any new director. The place, day, and time of the annual meeting may be changed to any other convenient place, day, and time in the county by the board of directors giving notice thereof to each member not less than ten (10) days in advance thereof. The Board shall meet at such and 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, shall be by constructive notice, 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 notice aforesaid had been given.

Article 14
Manner of Election and Voting

Section 1. At all meetings of the District, 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
Fiscal Year

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

Article 16
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 3, Payne County, Oklahoma," which shall be in the custody of the Secretary.

Article 17
Amendment

Section 1. These By-Laws may be repealed or amended by a vote of the majority of the members present at any regular meeting of the District, or any special meeting of the District called for that purpose 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 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 regular or special meeting of the participating members must be given at least ten (10) days before such meeting.

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 pipeline or lines from the source of water supply, and lines from the main distribution pipeline or lines to the, 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 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 and other purposes.

Section 20

Printing

Section 1. After adoption, these By-Laws shall be prepared, and a copy thereof shall be available to each participating member.

STATE OF OKLAHOMA)
) §
COUNTY OF PAYNE)

/s/ Jack Downey, /s/ Walter Bridenstine, /s/ Bill Blair, /s/ Paul M. Fagan, and /s/ Raymond C. Kinzie, being first duty sworn, depose and state, each for himself, that he is a Director of Rural Water District 3, Payne County, Oklahoma, the foregoing By-Laws were adopted at a meeting of the participating members of said District, duty held on the 29th day of July, 1971, at 8:00 o'clock, p.m.

Subscribed and sworn to before me this 29th day of July, 1971.

My commission expires: 1-27-1975 /s/ Annabelle Galeotti, Notary Public

STATE OF OKLAHOMA)
) §
COUNTY OF PAYNE)

/s/ Carl (Buddy) Flynn, /s/ Kevin Bostian, /s/ Robin Hessel, /s/ Richard Rains, and /s/ James Frank, being first duty sworn, depose and state, each for himself or herself, that he or she is a Director of Rural Water District 3, Payne County, Oklahoma, the foregoing By-Laws were amended at a meeting of the participating members of said District, duty held on the 9th day of January, 2007, at 7:00 o'clock, p.m.

Subscribed and sworn to before me this 9th day of January, 2007.

My commission expires: 10-5-2008 /s/ Carla Herron, Notary Public