

RURAL WATER DISTRICT NO. 1 HUGHES COUNTY, OKLAHOMA

2016 AMENDED

BY-LAWS

Article 1: Name and Place of Business

Section 1. The name of this District is Rural Water District No. 1, Hughes County, Oklahoma.

Section 2. The principal office of this District is located in Hughes County, Oklahoma, at 1904 N. 380 Road, Wetumka, Oklahoma.

Article 2: Powers

Section 1. The powers of this District shall be vested in the Board of Directors, hereinafter referred to as the Board, and are established by Title 82 Okl.St. § 1324.1 et seq. (specifically 82 Okl.St. § 1324.10).

Article 3: Definitions

Section 1. “Benefit Unit Owner” “Participating Member” or “Member” means and refers to a person or entity owning land located within the boundaries of the District who has subscribed and paid for a membership to the District.

Section 2. “Water Customer” means and refers to any person or entity which purchases water from the District, which is not a “Benefit Unit Owner” or a “Tenant”. A “Water Customer” as defined by this Section has no right to vote at meetings of the Benefit Unit Owners/Participating Members. All sales made to a “Water Customer” must be based upon a fully approved and executed written Contract.

Section 3. “Tenant” means and refers to a person or entity which leases, resides or otherwise utilizes property of a Benefit Unit Owner. A Tenant has no right to vote at meetings of the Benefit Unit Owners/Participating Members.

Section 4. “Water User” means and refers to any and all persons or entities who receive water service from the District, i.e., “Benefit Unit Owners”, “Water Customers” and “Tenants”.

Article 4: Purpose 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 pipelines and other facilities, and to operate the same for the purpose of furnishing potable 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 and/or intangible assets and revenue and income of the District, including easements and rights-of-way.
- (c) To hold such real, personal and intangible property as may come into its possession by will, gift,

purchase, or otherwise, as authorized by law, and to acquire and dispose of such property, including rights-of-way and easements, wherever located, as may be necessary or convenient for the proper conduct and operation of the business of the District.

(d) To establish rates and impose charges for water furnished to Benefit Unit Owners (participating members) and others (Tenants and Water Customers).

(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, convenient 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 and/or applicable Federal laws.

Article 5: Water Users

Section 1. Potable Water service 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 water from the District unless the owner 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 as provided by these By-Laws.

Section 3. A Tenant occupying land located within the District may purchase water from the District, provided, that the owner, or someone on behalf of the owner, 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.

Section 4. The District, at the discretion of the Board, may sale water to any person or entity within or outside the boundaries of the District, but within the State of Oklahoma subject to the terms of these by-laws, and upon such terms and conditions as the Board may adopt or approve. These persons/entities shall be "Water Customers" as defined herein. The sale of water to any "Water Customer" shall be by written agreement upon such terms and conditions as provided herein, and within the District's Rules and Regulations as approved by the Board.

Article 6: Right to Vote

Section 1: Only Benefit Unit Owners shall have the right to vote at Annual or Special meetings of the Benefit Unit Owners. Such right to vote exists only if 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 the owner may have subscribed/purchased. There shall be no proxy voting, and no dual membership of Benefit Units for voting purposes. A Benefit Unit Owner (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, 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 and paid for one or more Benefit Units.

Section 2. "Water Customers" and "Tenants" as defined herein, have no right to vote on District business at a Benefit Unit Owners meeting or otherwise.

Article 7: Benefit Units

Section 1. The Board shall from time to 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. Such price may be adjusted from time to time by the Board. 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 pursuant thereto, would impair the service to other water users within the District or be uneconomical, unfeasible, and place an undue burden on the District. Any landowner who feels himself aggrieved by such denial, or 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 Members present at the meeting at which the issue is addressed, who are qualified to vote, vote in favor of a motion to overrule the decision of the Board.

Section 2. Upon the purchase of a Benefit Unit, the owner of land shall designate the tract of land to which the Benefit Unit shall be assigned, and the Benefit Unit shall not be transferred from one tract of land to another without the 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 on said tract where the owner intends to utilize said Benefit Unit and no major change in location shall be made without the approval of the Board. Benefit Unit Certificates shall be issued by the Board, signed by the Chairman and Secretary, showing the name of owner and tract of land to which the Benefit Unit is assigned, numbered consecutively in the order in which issued.

Section 3. The consideration paid for Benefit Units shall be considered donations to the District and shall in no event and under no circumstance be refunded to the subscriber, or successor in interest.

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. Benefit Unit 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 Owner 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.

Section 5. Each Benefit Unit shall entitle the owner to one connection to the District's water system. Each connection shall service one residence or business establishment together with the necessary and usual out-buildings. The Board shall establish the required connection fees, if any.

Section 6. Failure to pay the minimum monthly meter charge, or failure to pay for water used through a meter 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 on behalf of which such failure occurs: The Board shall

adopt rules and regulations associated with the termination or suspension of service when a default has occurred: A forfeited Benefit Unit shall be reinstated if within three (3) months after such forfeiture all back charges are paid in full, plus interest as set by District's Rules and Regulations, and plus labor and material charges to effect such reconnections. Provided, further, the Board may, at the Board's discretion, permit such re-instatement within six months after such forfeiture upon payment of all back charges, plus interest, and reasonable labor and material charges established to effect such reconnection. If the defaulting water subscriber is a tenant, the time set out above shall not commence to run until the District has mailed or caused to be mailed, by registered or certified mail notice of such default of the tenant to the landowner (Benefit Unit Owner) at the Benefit Unit Owner's last known address as shown on the books of the District.

Section 7. If a "Water Customer" fails to remit the charges made for the provision of water to said Water Customer within the time period specified by the District's rules, regulations and/or the Contract between the District and the Water Customer, water service to that customer shall be terminated and only reinstated upon such terms and conditions as the Board may determine, which at a minimum, will require payment of all past due charges, interest on such charges as set by the Board and payment of appropriate charges for labor and materials needed to reinstate such service.

Article 8: Election of Directors

Section 1. The Board shall consist of seven members, all of whom shall be Benefit Unit Owners of the water District. At each Annual Meeting of the Benefit Unit Owners, the Benefit Unit Owners shall elect for a term of three years the number of Directors whose terms of office have expired. Notwithstanding the above, the number of Directors eligible at any election shall be adjusted in order to maintain staggered terms among the Board members.

Section 2. Immediately following the annual meeting of the Benefit Unit Owners, the Board shall meet and shall elect a Chairman, Vice-Chairman, Secretary/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 in accordance with 82 O.S. § 1324.9.

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 Benefit Unit Owners of the District physically present at any annual or special meeting called for that purpose. The Director shall be informed in writing of the charges preferred against him/her at least 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 in answer thereto.

Section 6. A requirement for qualification to serve as a board member for the District 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. Beginning July 1, 2001, 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 shall reimburse all reasonable expenses incurred by any board member for attending such training workshop.

To avoid members having to interfere with their jobs or employment, such training sessions may be divided into three-hour segments, and insofar as possible be scheduled for evening sessions. Technology center school facilities, college facilities or other public facilities may be utilized in all parts of the state for convenience of the members. Such workshops must be offered within seventy-five (75) miles of the members' residences.

Should any pledging board member fail to attend the workshop training as required in this **section**, 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, as provided by the district or corporation bylaws, another qualified member to fill the vacancy and that person shall pledge to attend the workshop training provided for in this **section**. 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.

Section 7. A Board Member shall be ineligible to service if:

- (a) Absent from three (3) consecutive regularly scheduled Board meetings without permission granted by the Board.
- (b) Be bondable to a fixed amount set by the Board.
- (c) Must be an individual (a person and not a business entity) Benefit Unit Owner.
- (d) The Board Member ceases to be a Benefit Unit Owner.

Section 8. Election Process. For the election of a Director whose term has expired, nominations shall be made by a Benefit Unit Owner, at the annual Benefit Unit Owner's meeting for each specific Board vacancy. In the event a person receives over 50% of the votes cast, then that person shall be elected to the Board. If no candidate received over 50% of the votes cast in the first round of voting, then two candidates (or top candidate plus tying candidates) who received the next greatest number of votes will participate in a runoff. This process will continue until there is a final vote for only two candidates. From the runoff, the one with the most number of votes will be elected onto the Board of Directors. This process will continue, with election for each Board position considered separately.

Article 9: 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 with or without 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 reasonable rates for water users of the District according to the amount of services furnished. The Board may establish different classes of rates including, but not limited to, a commercial rate, a residential rate, a rate premised on the type or nature of the service rendered, a rate premised on the volume of service or other reasonable criteria. 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 a point or points specified by the Board. The District may charge Water Users receiving service from the District for line extensions and other equipment necessary and convenient to provide service to the affected Water User.

(e) To require all or particular officers, agents, and employees, charged with the responsibility for the custody of any funds of the District to give adequate bond, the 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 or financial institutions 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 otherwise, and the person by whom the same shall be signed or issued, with the power to change such bank or person signing such checks or otherwise, 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 and/or by Oklahoma law (82 Okl.Stat.Ann. § 1324.11), cause an annual audit of the District records and accounts to be made by a licensed municipal public accountant or a certified public accountant, and make a report on said matters at each annual meeting of Benefit Unit Owners.

(h) The Board of Directors of the Water District is hereby granted the authority and power in the future to create new and additional divisions of said Water District; said Directors shall not, without a 3/4 vote of the then participating members of the water district, effect the existing status or division of any person being a participating member of said water district prior to the date of the creation of any new division of the water district.

(i) To discharge or remove employees and agents from office or employment at any time, for cause or without cause.

Article 10: Powers and Duties of Manager

Section 1. The Board may employ a District 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 express written 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 and to perform such other duties as may be prescribed by the Board.

Article 11: Powers and Duties of Bookkeeper

The Board may employ a District Bookkeeper, who shall maintain the financial books and records of the District, under the general control, supervision and direction of the Board. The Bookkeeper shall maintain the District's records and accounts in such a manner that the true and correct condition of the business of the District may be ascertained 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. Bookkeeper shall carefully preserve and turn over to any successor all books, records, documents, and correspondence pertaining to the business of the District which may come into the Bookkeeper's

possession; and shall perform such other duties as may be prescribed by the Board.

Article 12: 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 (or in his absence any officer of the Board may do so), 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 Certificates 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 in compliance with Oklahoma law. 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 oversee the receipt and accounting for all funds of the District, which shall be deposited by someone designated by the Board in some bank or financial institution designated by the Board as a depository. Treasurer shall pay the amounts, or cause them to be paid out of the depository only in the checks signed by the Chairman, or someone authorized to sign on the Chairman's behalf, and counter-signed by the Treasurer. At each annual meeting of the District, the Treasurer shall submit for the information of the Benefit Unit Owners a complete statement of the account for the past year and shall discharge such other duties pertaining to this 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.

Section 5. The positions of the Secretary and Treasurer may be filled by one Director if approved by the Board.

Article 13: 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 Benefit Unit Owners or Directors, shall during all reasonable business hours, be subject to inspection by Benefit Unit Owners (participating members) of the District. Such books and records are also subject to the provisions of the Oklahoma Open Records Act. 51 Okl.St. § 24A.1 et seq.

Article 13: Annual Meeting of Benefit Unit Owners (Participating Members)

Section 1. The annual meeting of the Benefit Unit Owners (participating members) of the District shall be held at some suitable location within the District designated by the Board, at 7 o'clock p.m. on the second Monday of each December.

Section 2. Special meetings of the Benefit Unit Owners (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 Benefit Unit Owners (participating members) of the District. The purpose of every special meeting shall

be stated in the notice thereof, any matter not placed on the Agenda for such meeting unless it is "New Business" as defined by the Oklahoma Open Meeting Act [25 Okl.Stat. § 311(9)], shall not be considered or acted upon at such meeting.

Section 3. Notice of meetings of participating members of the District shall be given by mail to each Benefit Unit Owner (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 Benefit Unit Owners (participating members) present at any meeting of the Benefit Unit Owners (participating members) shall constitute a quorum for the purpose of transacting business.

Section 5. The order of business at the annual meeting or a Special Meeting of the Benefit Unit Owners, 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 (if applicable); (f) Unfinished business; (g) New Business; (h) Adjournment.

Article 14: Board Meetings

Section 1. The Board shall meet annually, immediately following the meeting of the Benefit Unit owners (participating members). In addition, the Board 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 to the Board Members, of all meetings of the Board, other than the annual meeting to be held on the second Monday of each December at 7:00 o'clock p.m., 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 written notice aforesaid had been given.

Section 2. Notice of all Board Meetings shall be provided to the public in accordance with the terms and provisions of the Oklahoma Open Meeting Act. Title 25 Okl.Stat. § 301 et seq.

Section 3. All votes by the Board Members at a Board Meeting, shall be cast in open session. The Chairman may vote on any issue on which a vote of the Board is taken.

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, Hughes 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 of each year.

Article 17: Amendment

Section 1. These By-Laws may be repealed or amended by a vote of 3/4ths of the Benefit Unit Owners (participating members) present at the annual meeting of the Benefit Unit Owners, or at any special meeting of the Benefit Unit Owners called for that purpose except that the Benefit Unit Owners (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 Benefit Unit Owner (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 regular or special meeting of the Benefit Unit Owners (participating members) must be given at least 10 days before such meeting and must set forth verbatim 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 Benefit Unit Owners (participating members).

Article 19: Shortages

Section 1. Section 2. In the event the total water supply shall be insufficient to meet all of the needs of the Water Users, or in the event there is a shortage of water, the District may pro-rate the water available among the various Water Users on such basis as is deemed equitable by the Board.

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.

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