

**BYLAWS
OF
RURAL WATER & SEWER DISTRICT NO. ONE, NOWATA COUNTY, OKLAHOMA**

**ARTICLE I
General Purposes**

The purposes for which this Rural Water and Sewer District is formed, and the powers which it may exercise, are set forth in the provisions of Title 82 of the Oklahoma Statutes, Section 1324.1 et seq., same being the Oklahoma Rural Water, Sewer, Gas and Solid Waste Management Districts Act.

**ARTICLE II
Name and Location**

Section 1. The name of this organization is the "Rural Water and Sewer District No. One, Nowata County, Oklahoma."

Section 2. The principal office of this District shall be located at Wann, County of Nowata, State of Oklahoma, but the District may maintain offices and places of business at such other places within the State as the Board of Directors may determine.

**ARTICLE III
Seal**

Section 1. The seal of the District shall have inscribed thereon the name of the District and the year of its organization.

Section 2. The secretary of the District shall have custody of the seal.

Section 3. The seal may be used for causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

**ARTICLE IV
Fiscal Year**

The fiscal year of the District shall begin on the 1st day of May in each year.

**ARTICLE V
Membership**

Section 1. Membership will be limited to those who obtain the District's services (water, sewer, or both) acquire a tangible interest in its assets in proportion to the business done with the organization and have a voice in its management, and hold a membership certificate.

Section 2.(a) SEWER MEMBERSHIP. Every person (which word as used herein includes any legal entity) who is a record owner of a fee or undivided fee interest in property within the boundaries of the District may become a member of the District upon signing such applications and agreements for the acquisition of sewer service as may be provided and required by the District and upon the payment of such benefit unit fee as may be determined by the Board of Directors, which shall be non-reimbursable and will be considered as a donation to the

District. A single membership may be issued to all persons owning or having substantial possessory interest in the property. Only one membership may be held with respect to property at one time. The Board of Directors shall cause to be issued appropriate certificates of membership, provided that membership shall not be denied because of the applicant's race, color, creed, or national origin. Membership may be denied if the capacity of the District's sewer system is exhausted by the need of its existing members if the proposed use of the applicant is such that it would interfere with existing uses previously authorized by the Board of Directors, or if the applicant's property to be served lies outside the limits of the then existing area and the District is without sufficient capital to cause the construction of the extension required to effectuate such service. Each sewer user shall have only one membership for each property served.

Section 2.(b) WATER MEMBERSHIP. Any applicant who receives approval of the Board of Directors may be admitted to membership upon subscribing for or otherwise acquiring a membership certificate, and by signing such agreements for the purchase of water service as may be provided and required by the District; provided that no person shall be permitted to acquire membership if the capacity of the District's water system is exhausted by the needs of the existing members. The Membership Fee is non-reimbursable and will be considered as a donation to the District. The Membership Fee shall be established by the Board. Water service will be supplied only to members, however, the Board may make service available to the public for purchase at distribution points as it may establish.

Section 3. Membership will be transferable, but the transfer will be effective only when noted on the books of the District, and upon approval by the Board of Directors. In the case of sewer and water service, the transfer will be made only to a person who obtains a qualifying interest in the property, it being expressly provided that a member will transfer his membership in the District to his successor in interest as a part of the transaction whereby he disposes of his interest to the property. When sewer and water membership in the District is not transferred, it shall terminate upon the disposition or other termination of the member's interest in the property, regardless of whether or not the certificate is surrendered to the District.

In regard to both water and sewer service, a transfer of membership shall only be made and approved when the member transferring is free from indebtedness to the District.

Section 4. In case a member ceases to be eligible to hold membership as provided herein, or willfully fails to comply with these Bylaws or the Rules and Regulations or other requirements, or willfully obstructs the purpose and proper activities of the District, the District through the Board of Directors may elect to terminate the membership certificate. Any member whose membership is so terminated for cause other than that of ceasing to be eligible may appeal the action of the Board of Directors to a vote of the members at the next regular meeting of the members or special meeting of the members called for such purpose.

ARTICLE VI

Membership Certificates

Section 1. This District shall not have capital stock. Membership in the District shall be represented by membership certificates. Such certificates shall represent the right to use and enjoy the benefits of the District's sewer and/or water system upon the payment of necessary assessments, if any, and of reasonable charges based upon such use, provided such use and enjoyment are consistent with the Rules and Regulations, and contracts affecting the same as may from time to time be prescribed by the Board of Directors.

Section 2. A separate membership certificate shall be issued to each water and/or sewer holder of a fully paid water and/or sewer membership, numbered consecutively in accordance with the order of issue, and bear on its face, the following statements:

(a) This membership certificate, No. _____, is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the Bylaws and amendments to the same of Rural Water and Sewer District No. One, Nowata County, Oklahoma.

(b) Transfers of membership certificates shall be made only upon the books of the District; only to persons eligible to become members, and only with the approval of the Board of Directors.

(c) Every member upon becoming a member of this District agrees to sign such agreements for the purchase of water, and/or for the acquisition of sewer service from the District as may from time to time be provided and required by the District."

ARTICLE VII
Meetings of Members

Section 1. The annual meeting of the members of this District shall be held at the Town of Wann, County of Nowata, State of Oklahoma, within ninety (90) days following the fiscal year end. The date, time and place will be set by the Board of Directors and notice will be given no less than ten (10) days in advance.

Section 2. Special meetings of the members may be called at any time by the action of the Board of Directors and such meetings must be called whenever a petition requesting such meeting is signed by at least ten percent (10%) of the members and presented to the secretary or to the Board of Directors. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat except as is specified in the notice.

Section 3. Notice of meetings of members of the District, both regular and special, shall be given by notice mailed by first-class mail to each member of record, directed to the address shown upon the books of the District, not less than ten (10) days and not more than forty (40) days prior to such meetings. Such a notice shall state the nature, time, place and purpose of the meeting, but no failure or irregularity of notice of any annual meeting, regularly held, shall affect any proceedings 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. Directors of this District shall be elected at the annual meeting of the members as provided in Article VIII, Section 1.

Section 6. The order of business at the regular meetings and so far as possible at all other meetings shall be:

1. Calling of order and proof of quorum.
2. Proof of notice of meeting.
3. Reading and action on any unapproved minutes.
4. Reports of officers and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE VIII
Directors and Officers

Section 1. The Board of Directors of the District shall consist of five members, all of whom shall be members of the District. At the annual meeting of the membership of the District to be held February 8, 1983, one director shall be elected for a term of one year; two directors for a term of two years; and two directors for a term of three years. At each annual meeting thereafter, the members shall elect for a term of three years the number of directors whose terms of office have expired. Each director shall hold office for the term for which he is elected and until his successors shall have been elected and qualified.

Provided however, that after January 1, 1986, no participating members, not having served for a period of at least one year on the Board, shall be qualified to serve on the Board of Directors unless he or she signs a written pledge that if elected he or she will attend six (6) hours of work shop training as provided for in 82 O.S. 1324. 16. When a city or town is part of a Rural Water, Sewer, and Solid Waste Management District, the Board of Directors must be composed of residents of Wann, Oklahoma in direct proportion to the number of users in Wann, Oklahoma: Provided further that when a Rural Water, Sewer, and Solid Waste Management District is totally within the municipal city limits of a city or town, the Board of Directors of the District shall be the Governing Body of the town.

Section 2. The Board of Directors shall be comprised of five directors who receive water service, sewer service, or both from the District. Any person residing within the area served by the sewer system shall not be disqualified from serving as a director by reason of the fact that he or she also received water service from the District.

Section 3. The Board of Directors at the next regular meeting after the annual election of directors 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.

Section 4. If the office of any director becomes vacant by reason of death, resignation, retirement, disqualification or otherwise, except by removal from office, a majority of the remaining directors, shall by a majority vote, choose a successor who shall hold office until the next regular meeting of the members of the District.

Section 5. A majority of the Board of Directors shall constitute a quorum at any meeting of the Board. The affirmative vote of the majority of the directors at a meeting at which a quorum is present shall be the act of the Board.

Section 6. Compensation of officers may be fixed only at regular or special meeting of the members of the District. Directors shall receive no compensation for their services as such.

Section 7. 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 (10%) 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 twenty (20) 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 against him 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 the board thus created shall immediately be filled by a vote of a majority of the members present and voting at such meeting. 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 8. The Board of Directors shall meet monthly at a designated time as may be determined by the Board, or upon call by the Chairman or any two members of the Board. Notice of all meetings, except regularly scheduled meetings, shall be by mailing a notice to the last known address of each Board member at least two (2) days before the holding of such meeting.

ARTICLE IX Duties of Directors

The Board of Directors, subject to 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 of Directors shall have and are hereby given, full power and authority in respect to the matters as hereinafter set forth to be exercised by resolution duly adopted by the Board.

- (a). To approve membership applications and to cause to be issued appropriate certificates of membership.
- (b). To select and appoint all agents or employees of the District, remove such agents or employees of the District, prescribe such duties and designate such powers as may not be inconsistent with these Bylaws, fix their compensation and pay for faithful services.
- (c). To borrow from any source, money, goods, or services to make and issue notes and other negotiable or nonnegotiable instruments evidencing indebtedness of the District; to make and issue mortgages, deeds of trust, pledges of revenue, trust agreements, security agreements, and financing statements and other instruments evidencing a security interest in the assets of the District; and, to do every act and thing necessary to effectuate the same.
- (d). To prescribe, adopt and amend, from time to time such equitable uniform rules and regulations as, in its 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 officers and employees, and to prescribe adequate penalties for the breach thereof.
- (e). To order, at least once a year, an audit of the books and accounts of the District by a competent public auditor or accountant. The report prepared by such auditor or accountant shall be submitted to the members of the District at their annual meeting, together with a proposed budget for the ensuing year. Copies of such audits and budgets shall be submitted to such parties as may be required by other agreements.
- (f). To fix and alter the charges to be paid by each member for services rendered by the District to the member, including connection fees where such are deemed to be necessary by the directors, and to fix and alter the method of billing, time of payment, manner of connection, and penalties for late or nonpayment of the same. The Board may establish one or more classes of users. All charges shall be uniform and nondiscriminating within each class of users.
- (g). To require all officers, agents and employees charged with responsibility for the custody of any of the funds of the District to give adequate bonds, the cost thereof to be paid by the District, and it shall be mandatory upon the Directors to so require.

(h). 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 and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

(i). To levy assessments against the members of the District in such manner and upon such proportionate basis as the directors deem equitable, and to enforce collection of such assessments by legal methods.

(j). To on or before July 1 of each year, file with the County Clerk of Nowata and Washington Counties, an annual report for the preceding calendar year, listing all monies collected and disbursed and specifying all indebtedness outstanding at the end of the calendar year.

(k). To exercise all other rights granted and execute all other duties imposed by the Oklahoma Rural Water, Sewer, Gas and Solid Waste Management Districts Act.

ARTICLE X
Duties of Officers

Section 1. Duties of Chairman. The Chairman shall preside over all meetings of the District and the Board of Directors, call special meetings of the Board of Directors, perform all acts and duties usually performed by an executive and presiding officer, and sign all membership certificates and such other papers of the District as he may be authorized or directed to sign by the Board of Directors, provided the Board of Directors may authorize any person to sign any or all checks, contracts and other instruments in writing on behalf of the District. The Chairman shall perform such other duties as may be prescribed by the Board of Directors and by applicable law.

Section 2. Duties of Vice-Chairman. In the absence or disability of the Chairman, the Vice-Chairman shall perform the duties of the Chairman; provided, however, that in case of death, resignation or disability of the Chairman, the Board of Directors may declare the office vacant and elect his successor.

Section 3. Duties of the Secretary. The Secretary shall keep a complete record of all meetings of the District and of the Board of Directors and shall have general charge and supervision of the books and records of the District. He shall attest the Chairman's signature on all membership certificates and other papers pertaining to the District unless otherwise directed by the Board of Directors. He shall serve, mail, or deliver all notices required by law and by these Bylaws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting or at such other time or times as the Board of Directors may require. He shall keep the corporate seal and membership certificate records of the District complete and attest all certificates issued and affix said District's seal to all papers requiring seal. He shall keep a proper membership certificate record, showing the name of each member of the District and date of issuance, surrender, transfer, termination, cancellation or forfeiture. He shall make all reports required by law and shall perform such other duties as may be required of him by the District or the Board of Directors. Upon the election of his successor, the secretary shall turn over to him all books and other property belonging to the District that he may have in his possession.

Section 4. Duties of the Treasurer. The Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the District; receive and give receipts for monies due and payable to the District from any source whatsoever, and deposit all such monies in the name of the District in such banks, trust companies or other depositories as shall be selected in accordance with these Bylaws and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Chairman or by the Directors.

ARTICLE XI

Voting

Section 1. For the purpose of electing and removing directors of the District, each member of the District shall be entitled to cast only one vote, even though the said member may hold both a Sewer Membership Certificate and a Water Membership Certificate and further, even though the particular member may hold more than one of each such certificates.

Section 2. For the purpose of voting upon any other item of business which may come properly before a meeting of the members, either annual or special, including but not limited to matters dealing with the construction, operation, maintenance or repair of either the water distribution system or the sewage system, it is expressly provided that only holders of Membership Certificates from the particular utility system affected by such vote and item of business, may vote upon same; it being the express intent of this provision that only holders of a Membership Certificate from the water distribution system may be qualified to vote upon any matter or issue involved or dealing with the construction, operation, maintenance or repair of the water distribution system, and that only holders of a Membership Certificate from the sewage system shall be qualified to vote upon any matter or issue concerning or dealing with the construction, operation, maintenance or repair of the sewage system.

ARTICLE XII

Benefits and Duties of Members Receiving Water Service

Section 1. Each holder of a Membership Certificate shall be entitled to one line from the District's water system. A member may make application to the Board of Directors for additional service line(s). Upon approval of the Board and payment of the required fee for each line as may be determined by the Board, the additional service line(s) will be made available to the member. Irrespective of any other provisions in these Bylaws, no water service will be furnished within the limits of any incorporated town, rural water district, or other public body without the written consent of the governing body thereof.

Section 2. 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 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 3. 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 and other purposes as a participating member may desire, subject to the provisions of these Bylaws, and such Rules and Regulations as may be prescribed by the Board. The water delivered to each participating member shall be metered.

Section 4. In the event the total water supply shall be insufficient to meet all 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 and require adherence thereto.

ARTICLE XIII

Benefits and Duties of Members Receiving Sewer Service

Section 1. The District will install, maintain and operate a sewage collection system and maintain service lines from the property line of each member of the sewer system to the collection and treatment facilities. The cost of service lines from the treatment facilities and the treatment facilities shall be paid by the District. Each

member will be required at his own expense to have dug a ditch for the connection of the sewage service lines from the property line of the member to his dwelling or other portion of his premises, and to purchase and have installed the portion of the sewage service line or lines from his property line to the place of use on his premises. The member will maintain such portion of such service line or lines which shall be owned by the member, at his own expense. In addition, each member shall pay such connection charge, if any, as may be imposed by the Board of Directors before such member shall be entitled to the use of the system.

Section 2. Each member within the area then serviced by the sewage system may be permitted to have additional sewage service lines from the District's sewage system in the discretion of the Board of Directors upon proper application therefor and the tender of payment not to exceed the then existing connection charge or benefit unit charge. The approval by the Board of Directors of additional sewage service lines to an existing member may be made conditional upon such provisions as the Board of Directors determines necessary to protect the interest of other members and to allow for the orderly expansion and extension of the system. Each sewage service line shall connect with the District's sewage system at the nearest available place to the place of desired use by the member if the District's sewage system has sufficient capacity to permit the acceptance of sewage through a service line at that point without interfering with the flow through a prior service line. If the District's sewage system is inadequate to permit the acceptance of sewage from a service line installed at such place without interfering with the flow from a prior service line, then such service line shall be installed at such place designated by the District.

ARTICLE XIV

Budgets, Service Charges and Forfeiture of Membership

Section 1. The Board of Directors shall, with the consent of either or both the Farmers Home Administration and the Environmental Protection Agency, if required so long as either of said agencies shall hold any obligations or insure any financing on the water and sewer systems, prior to the beginning of each fiscal year, prepare separate budgets for the water system and the sewage system for the following year and adopt, (1) a schedule of water rates sufficient to pay the normal operating and maintenance expenses, all debt service requirements, and the reserves required by the loan resolution, all in regard to the water system, and (2) adopt a flat minimum monthly rate to be charged each member receiving sewage service, such flat minimum monthly rate to be payable irrespective of whether the services of the system are used by the member during any month, said rate to be sufficient to pay the normal operating and maintenance expenses, all debt service requirements, and any reserves required by the loan resolution in regard to the sewage system.

Section 2. The Board of Directors may further establish the amount of penalty for late payments for water and sewer service, and shall fix the date for payment of all such charges. A member to be entitled to either water or sewer services, or both, shall pay all such charges at the office designated by the District at or prior to the dates fixed by the Board of Directors. Failure to pay the minimum water and/or sewer monthly charges, or failure to pay for water used through a meter within thirty days from the due date fixed by the Board of Directors, shall constitute a forfeiture of the membership Certificate of the defaulting member, or in the case of a holder of both a Sewer Membership Certificate and a Water Membership Certificate, forfeiture of both such certificates. Specifically, in the event of the default of a member receiving both water and sewer service, the Board of Directors shall be empowered to terminate, with proper notice, water service to the defaulting member even though such member shall not be in default for water charges. In the event of termination of membership status of a defaulting member, said member shall have no further right to vote in the affairs of the District until all back charges are paid in full, including penalties, plus interest at six percent (6%) per annum, and all reasonable labor charges necessary to effect reconnections are paid.

ARTICLE XV
Distribution of Surplus Funds

Section 1. It is not anticipated that there will be any surplus funds or net income to the District at the end of the fiscal year from either the water distribution system or the sewage system after provisions are made for the payment of the expenses of operation and maintenance and the funding of the various reserves for depreciation, debt retirement, and the other purposes for each such system. The occurrence in subsequent fiscal years of surplus funds or net income above the requirements of each utility system as above mentioned, including, if any, a reserve for improvements and extension of the facilities, shall be taken into consideration by the Board of Directors in determining the water rate and sewage rate to be charged the members.

Section 2. The District will provide both water and sewage services substantially at cost. Dividends shall not be paid on the basis of membership. All funds from whatsoever source remaining at the end of the year in the separate accounts to be maintained for the sewage system and water distribution system, in excess of the monies needed to meet the current losses and expenses of each separate system will be distributed to members of the respective systems proportionally, subject to the concurrence of either or both the Farmers Home Administration and the Environmental Protection Agency, or will be retained for such purposes as retiring indebtedness incurred in acquiring assets, expanding the District's services, maintaining reserves for necessary purposes or reducing the subsequent year's water and/or sewage rate. It is expressly provided that for purposes of this section, and the future operation of the District, that all expenses, indebtedness, and income from the separate utility systems shall be segregated for accounting purposes and for purposes of determining future utility rates and distribution of excess funds, the latter of which shall only be to the members utilizing the service for which such excess is accumulated.

Section 3. Upon dissolution, after paying all debts and obligations, members will be entitled to receive their equitable share of all the proceeds remaining to the extent practicable as reflected by the records.

ARTICLE XVI
Certificates of Membership - Wann Water Corporation

Section 1. It is recognized that this District is the resulting organization by reason of a combination and merger of Wann Water Corporation, an Oklahoma non-profit corporation, and Rural Sewer District No. One, Nowata County, Oklahoma, a District organized previously under the Oklahoma Rural Water, Sewer, Gas and Solid Waste Management District's Act. As a result of such consolidation and merger, all members of Wann Water Corporation shall automatically become members of this District without further charge, assessment or expense. Further, all Certificates of Membership held by members of Wann Water Corporation are canceled and shall not be of any further validity and shall be surrendered by the holders thereof to this District at which time, a Certificate of Membership of this District shall be reissued to each holder.

ARTICLE XVII
Amendments

Section 1. These Bylaws may be repealed or amended by a vote of a majority of the members present at any regular meeting of the District, or at any special meeting of the District called for that purpose, except that the members shall not have the power to change the purposes of the District so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provision for the safety and security of the property and funds of the District or its members, or to deprive any member of rights and privileges then existing, or to amend the Bylaws so as to effect a fundamental change in the policies of the District and further except that no member shall be entitled to vote upon an amendment or repeal of any particular provision of these

Bylaws where said member is solely utilizing either water service or sewage service where such amendment to repeal deals with a provision which affects the rights, duties or privileges of members of the District utilizing the other service. Any amendment to the Bylaws as provided herein shall be subject however, to the approval of either the Farmers Home Administration or the Environmental Protection Agency, if the District is indebted to either or both such agencies on any loans made, or insured for the purpose of constructing the water or sewer system of the District.

We certify that the foregoing Bylaws were duly adopted by the members on the 21st day of April, 1981. Given under our hands and the seal of the District, this 21st day of April, 1981.

Except as hereinabove amended, the Bylaws of the District shall remain in full force and effect. Given under our hands and the seal of the District this 10th day of July, 2001.

Leon Gaskill, Chairman

ATTEST:

Secretary, William Hayden
(seal)

Farmers Home Administration

BY: _____
District Director

Revised 4/28/81 Article VIII Section 1. Approved by Board at April 28, 1981 Meeting.

Revised 7/11/95 Article VII Section 4 (Approved by Farmers Home on 7/31/95 by telephone, July Ramsey).

Revised 7/08/97 By Laws, Page 2, Section 2.(b), Line 9, "The Membership Fee shall be established by the Board. Approved by Board at July 8th Meeting.

Revised 7/10/01 By Laws, Article VIII Section 2. Approved by Board at July 10, 2001 Meeting.