

Wagoner County, Oklahoma – Rural Water District #2 –
Approved by vote of Members June 16, 2016

By-Laws

Article 1 – Name and Place of Business

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

Article 2 – Corporate and Operational Powers

The corporate powers of this District shall be vested in the Board of Directors, hereinafter referred to as the Board. The Board is to implement the By-Laws approved by the Benefit Unit Owners.

Article 3 – Purpose and Objectives

The Purposes and objectives of the 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. Any money borrowed or mortgage made shall be authorized by a two thirds majority vote of the Participating Members present at a special called meeting or at an annual meeting of Participating Members ('the Super Majority'), except money borrowed for emergency repairs or maintenance of existing facilities.
- 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, easements, wherever located, and as may be necessary and convenient for the proper conduct and operation of other business of the district.
- d) To establish rates and impose charges for water furnished to Members and others, when congregated in a meeting of the Participating Members, duly called by vote of the Board ('the Annual Meeting').
- e) To enter into contracts for the purpose of accomplishing the purpose of the District with any person or governmental agency.
- f) To cooperate with any person or governmental agency in any undertaking designed to further the purpose of the District.
- g) To do and perform any and all acts necessary or desirable for the accomplishment of the purpose 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 only to residents or commercial enterprises located within the District. Provided, however that the Board 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 has first subscribed and paid for one or more Benefit Units. Tenants occupying land located within the District may become water subscribers; 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.

Article 5 – Right to Vote

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 may have subscribed. There shall be no dual ownership of Benefit Units for voting purposes. A Participating Member may be an individual, firm, partnership, association, corporation, trust, guardianship, conservatorship, probate, or receivership. An individual Participating Member may exercise more than his/her single individual vote if that Participating Member is acting on behalf of and/or as a proxy of and/or as an officer or shareholder of a firm, partnership, association, corporation, trust, guardianship, conservatorship, probate, or receivership which subscribes to a Benefit Unit. Members shall be: Owners of land located within the District or holders of a valid lease from the owner of the land who have subscribed to one or more Benefit Units, provided payments of charges are current on all of the Benefit Units. Owners who have leased their land or property may not vote, since the vote will be by the lessee.

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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 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. 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 the judgment of the Board, the granting of said subscription and the furnishing of water pursuant thereto, would impair the service of the water users in that locality 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 Participating members at the next Annual Meeting of the Participating Members, or special meeting of the Participating Members called for such purpose, provided, the decision of the Board shall stand unless Majority of the Participating Members 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 the approval of the Board. The owner of the 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. Benefit Unit Certificates shall be issued by the Board, signed by the Chairman and Secretary, showing the owner, and tract of land to which the Benefit Unit is assigned, numbered consecutively in the order 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 circumstances be refunded to the subscriber.

Section 4. Benefit Units shall follow the title of the land unless the owner of the land designates otherwise. 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 a Benefit Unit shall be permitted without the approval of the Board, unless Court dictated. No transfer will be approved unless all charges against the Benefit Unit are paid unless the property or land is subject to a foreclosure action, in which case the historical charges shall be waived. All transfers, when approved, shall be recorded in the books of the District.

Section 5. Each Benefit Unit shall entitle the owner to not to exceed one line from the District's water system. Each line shall serve not to exceed one residence or business establishment together with the necessary and usual outbuildings, except that any business and concomitant residence on the same parcel of property, which is operated by one family residing in that residence, shall not be required to purchase more than one Benefit Unit.

Section 6. Failure to pay the minimum monthly meter charge, or failure to pay for water used through a meter, shall constitute a forfeiture of the Benefit Unit on behalf of which failure occurs; provided that such Benefit Unit may be reinstated as provided in the District's Rules and Regulations. If the defaulting water subscriber is a tenant, the time set out in the District's Rules and Regulations 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 to the tenant and to the landowner at his last known address as shown on the books of the District. Posting a notice on the property associated with the Benefit Unit shall also be required.

Section 7. New Benefit Units awarded after January 1, 2014 shall be awarded based upon the projected usage of the water. If the usage is for commercial use (where users are not property owners or long term tenants of the property owner) the size of the meters required shall be determined by the number of potential users and approved by the Manager and/or a registered Civil Engineer. Any requests for new Benefit Units shall enter into a contract with the District that, based upon the projected usage and impact on the designated portion of the entire District, shall be required to pay for or construct additional lines from the plant to the new meter and agree to this condition before submitting a request for a Benefit Unit.

Article 7 – Election of Directors

Section 1. The Board of this District shall consist of five (5) members, all of whom shall be 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 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 Members shall be eligible to succeed himself or herself subject to an election held at an Annual or Special Meeting where the Director who seeks to extend their service shall be approved by a majority of the Participating Members. Provided, however, that after January 1st 1986, no Participating Member, not

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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.

Section 1a. Upon the application of the discharge of the Court appointed Receiver, or as designated by the Receiver, there shall be an election at the Annual Meeting of five (5) new board members. Upon the discharge of the Receiver as part and parcel to the discharge, the new board members who have been elected at an Annual Meeting shall be installed. Each applicant/candidate will apply for one or more of the seats on the Board. The seats will be assigned a term as follows: Seats 1 and 2 will be elected for an initial term of one (1) year, Seats 3 and 4 will be elected for an initial term of two (2) years and Seat 5 will be elected for three years. After the initial election, post-Receiver, the terms for each seat will be three (3) years.

Section 2. Immediately following the Annual Meeting of the Participating Members (or after the discharge of the Receiver), the Board shall meet and shall elect a Chairman, Vice-Chairman, Secretary, and Treasurer, from among themselves, each of who shall hold office until the next Annual Meeting of the Participating Members 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 replacement Director shall occupy the Seat vacated and served out the term assigned to that Seat when elected by a majority of the Participating Members at an Annual or Special Meeting. This procedure may be repeated as necessary to insure each board seat in occupied. The disqualification of a Director as a Participating Member of the District shall operate to disqualify him 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. The Board can continue to operate normally with as few as three board members on a five member board, which will constitute a quorum.

Section 5. Any Director of the District may be removed from office for cause by a vote of not less than a Super Majority of the Participating Members of the District at any Annual Meeting or Special Meeting called for that purpose. The Director shall be informed in writing of the charges preferred against him/her at least ten (10) days before such meeting, whether regular or special, and at the meeting shall have an opportunity to present witnesses and to be heard in person in answer thereto. Officers of the Board may be removed for cause by a vote of a Super Majority (as defined) of the members of the Board (with the board member that is the subject of the removal action abstaining). Employees and agents may be discharged or removed from office or employment at any time by action of the Board upon a simple majority vote.

Section 6. A Board Member may succeed themselves only if elected by the Participating Members at an Annual or Special Meeting. If a Board Member wants to succeed himself or herself, the succession shall be only if approved by a majority of Participating Members at a Annual Meeting or a Special Meeting.

Article 8 – Powers and Duties of Directors

The Board, Subject to the restrictions of law, and these By-Laws, shall exercise all the powers of the District and without prejudice or limitation upon their general powers, it is hereby expressly provided that the Board shall have, and is hereby given, full powers and authority in respect to 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 as prescribed by Oklahoma law, prescribe such duties and designate such powers as may not be inconsistent with these By-Laws, and fix 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. Any money borrowed or mortgage made shall be authorized by a Super Majority vote of Participating Members present at a special called meeting or at an Annual Meeting of Participating Members, except money borrowed for emergency repairs or maintenance of existing facilities.
- c) To prescribe, adopt, and amend, from time to time, such equitable and uniform Rules and Regulations, as, in their discretion as many 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) After an approval of the Super Majority of the Participating Members at an Annual Meeting, the District will set monthly meter charges and usage rates per meter. Additionally, to set the time of payment, and the manner of collection as outlined in the Rules and Regulations.
- e) In the event that the Board recommends any capital improvements in excess of Twenty Five Thousand Dollars (\$25,000) the proposal shall be submitted to the Participating Members at the next called Annual Meeting or Special Meeting. A simple majority shall be sufficient to authorize the capital expenditure.
- f) In no event shall any Board Member vote on any issue in which they have a vested interest or benefit. If in doubt, the other Board Members shall vote on the issue (excluding the member with a potential benefit). If the issue is approved by the vote, then the expenditure will be authorized.

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- g) In the event that it appears that the revenues will not be sufficient to meet the financial responsibilities of the District and the membership cannot achieve a vote to raise the monthly rates per meter or the rate for usage, then the Board shall declare a stalemate and will solicit two members who are not Directors and choose one Director who then together will choose an independent third party consultant to review the financial condition of the District and determine a fair and equitable rate(s) to be charged. Those rates shall be implemented the month following the written report by the consultant.
- h) To require all 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 the bonds.
- i) To select one or more Banks to act as depositories of the funds of the District.
- j) To determine the manner of receiving, depositing, and disbursing the funds of the District in the form of checks.
- k) All disbursements shall be signed by the Chairman.
- l) The powers to change such bank or person signing checks and the form thereof will be approved by a majority of the Board.
- m) Prepare annually an estimated budget for the coming year.
- n) Recommend any adjustments to the water rates or monthly meter rates, (if necessary) to produce sufficient revenue required by such budget to insure financial stability of the district.
- o) Cause an annual audit of the District records and accounts to be made by a licensed municipal public accountant or a certified public accountant, who will deliver a report on said matters at each Annual Meeting of the Participating Members.
- p) Board Members are subject to dismissal, at the remaining Board Members discretion, after missing 4 meetings in a physical year.

Article 9 – Powers and Duties of Manager

The Board shall employ for the District, a Manager, who shall have charge of the physical facilities 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:

- a) Employ, supervise, and dismiss contractors to the District and fix their compensation, subject to approval by the Board.
- b) He/she shall also, as far as practical, conduct the operation in such a way that all patrons receive equal service, and treatment.
- c) Deposit or cause to be deposited in the Bank selected by the Board, all moneys belonging to the District which come into his possession.
- d) Maintain the records and accounts in such a manner that the true and correct condition of the accounts may be ascertained therefrom at any time.
- e) Furnish the Board a current statement of the operations of the District at each scheduled meeting of the Board.
- f) At the end of each fiscal year and at such other times and in such form 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.
- g) To perform such other duties as may be prescribed by the Board, including the reading of all meters on a monthly basis, weather permitting.

Article 10 – Duties of Officers

Section 1. 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 Certificates and such other papers of the District as he may be authorized or directed to sign by the Board, provided the Board may authorize all directors to sign checks, on behalf of the District, provided that all checks must be signed by two Board Members. 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 cause a record to be kept of the proceedings of the meetings of the Board and of the District. (S) he shall serve, or cause to be served, all notices required to be served by Law or By-Laws of the District; and in case of his/her absence, inability, refusal, or neglect to do so, then such notice 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 account or cause to be accounted for all funds of the District, shall deposit (or supervise the Manager's) making 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 on approval of the Board. At each annual meeting of the District, (s)he shall submit for the information of the Participating Members a complete state of his/her account for the past year and

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(s)he 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.

Article 11 – Books and Records

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 by any Member at the office of the District. Upon request from any Members, the financials and minutes of any meeting shall be furnished via e-mail free of charge.

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 the District or at some convenient location in the City of Wagoner designated by the Board, at 7:30 p.m., on the third Thursday in June.

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 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 specified in the notice.

Section 3. Notice of all Annual Meetings of Participating Members of the District shall be given by mail to each Participating Member of record directed to the address shown upon 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. Any Benefit Unit Owner may add agenda items to be discussed if received in the District office fifteen (15) days before the meeting. A failure or irregularity of a notice of any annual meeting, regularly held, shall not affect any proceedings taken thereat.

Section 4. The Participating Members present at any appropriately called 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 Committee's;
- e) Report on delinquencies and action to be taken on each individual case that are subject to appeal;
- f) Election of Directors, if there is a vacancy;
- g) Discussion and consideration for approval of the financial report(s) Unfinished Business;
- h) Benefit Unit Owner Commentary;
- i) New Business;
- j) Adjournment;

Section 6. The conduct of all meetings of Participating Members shall be subject to the provisions of the Open Meeting Laws of the State of Oklahoma.

Article 13 – Board Meetings

The Board shall meet annually on the second Wednesday (past January 2nd) in January of each year and will also meet annually to elect officers immediately following the time for election of any new Director. 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 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 valid as though the previous written notice aforesaid had been given. The conduct of all meetings of the Board shall be subject to the provisions of the Open Meeting Laws of the State of Oklahoma.

Article 14 – Manner of Elections and Voting

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 Member of the District shall have but one vote.

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Article 15 – Corporate Seal

The District shall have a corporate seal, consisting of a circle having in its circumference and face the words, “Rural Water District #2, Wagoner County, Oklahoma”, which shall be in the custody of the Secretary.

Article 16 – Fiscal Year

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

Article 17 – Amendment

These By-Laws may be repealed or amended by a vote of a Super Majority of the Participating Members present at any Annual Meeting of the District, or by any Special Meeting of the District called for that purpose, except that the Participating Members shall not have the power to change the purpose of the District 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 Members, or to deprive any participating member or landowner of rights or privileges then existing, or to amend the By-Laws as to effect a fundamental change in the policy for the District. Notice of any amendment to be made at any Annual Meeting 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

The District shall at all times be operated on a not-for-profit basis for the mutual benefit of its 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 main distribution line or lines to the property line along water main travel way of each Member of the District at which point, designated as a delivery point, meters purchased, installed, owned, and maintained by the District shall be placed. Road crossings shall be paid for by the applicant.

If the cost of extending service to applicant exceeds the average cost of new service lines to applicants, the Board will require, as a condition of extending service that the applicant pay, (in addition to the price of a Benefit Unit), an amount equal to the average cost of new service.

Section 2. Each 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 Member may desire, subject, however, to the provision of these By-Laws and such Rules & Regulations. The water delivered to each 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 pro-rate 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 members for domestic, livestock, garden, and other purposes and must satisfy all the needs of all the members for domestic and livestock purposes before supplying water for garden and other purposes.

Article 20 – Printing of By Laws

After adoption, a copy of these By-Laws and the current Rules & Regulations and any financial information shall be made available to any Member, upon request, and shall be free, if sent via email, but if a hard copy is requested, the Member will have to pay up to the prevailing rate provided by the State Open Meeting Act.

Article 21 – Definitions

All definitions and words of art are attached as Exhibit A in the Rules and Regulations of the Wagoner County Rural Water District #2.