

Rural Water District No. 3
Miami County, Kansas

By-Laws

Article 1

NAME AND PLACE OF BUSINESS

Section 1. The name of this corporation shall be Rural Water District No. 3, Miami County, Kansas.

Section 2. The principal office of this District shall be located in Miami County, Kansas.

ARTICLE 2

CORPORATE POWERS

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

ARTICLE 3

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 pipelines and other facilities, and to operate the same for the purpose of sale of water for owners or occupants of land located within the District, and others as may be legally served.
- (b) To borrow money from any Federal or State agency, or from any other source, and to secure said loans by mortgaging or pledging all of the physical assets and revenue and income of the District, including easements and rights-of-way.
- (c) To hold such real and personal property as may come into its possession by will, gift, purchase, or otherwise, as authorized by law, and to acquire and dispose of such real and personal property, including rights-of-way and easements, wherever located and as maybe necessary and convenient for the proper conduct and operation of the business of the District.
- (d) To establish rates and impose charges for water sold to Benefit Unit owners and others as may be legally served.

- (e) To enter into contracts for the purpose of accomplishing the purposes of the District with any person or governmental agency.
- (f) To cooperate with any person or with any governmental agency in any undertaking designed to further the purposes of the District.
- (g) To do and perform any and all acts necessary or desirable for the accomplishment of the purposes of the District, which may lawfully be done by such District under the laws of the State of Kansas.

ARTICLE 4

WATER USERS

Section 1. Water shall be supplied only to land located within the District; provided, however, that the Board may make water available to the public for purchase at such distribution points as it may establish.

Section 2. No owner of land located within the District shall be eligible to become a water subscriber unless he/she has subscribed and paid for a Benefit Unit and the Board has approved the location of the Benefit Unit. Tenants occupying land located within the District may become water subscribers; provided however, that the owner, has subscribed and paid for a Benefit Unit.

ARTICLE 5

RIGHT TO VOTE

Section 1. Only Benefit Unit owners in good standing shall have the right to vote a single vote, regardless of the number of Benefit Units to which he/she may have subscribed or the number of individuals owning a single Benefit Unit. There shall be no proxy voting. A Benefit Unit Owner may be an individual, co-tenants, partnership, corporation or Limited Liability Company.

Section 2. Benefit Unit shall mean Owners of land located within the District who have subscribed to one or more Benefit Units and who are in good standing with all current payments, charges, fees, penalties and costs fully paid to the District.

ARTICLE 6

BENEFIT UNITS

Section 1. Any Benefit Unit acting as a Wholesale User is responsible for all costs associated with this District that are incurred by its Tenant. A Wholesale User is a Benefit User with a Tenant or Lessee that occupies or makes use of the land served by this District. A Tenant or Lessee is any person or entity engaged in any agricultural or business purpose, including the oil and gas industry. Anytime these Articles refer to a Benefit User, the same applies to a Wholesale User.

Section 2. The Board shall establish a unit price for subscription for Benefit Units. 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, entertain applications for Benefit Units. 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 in that locality or be uneconomical or unfeasible or place an undue burden on the District. Any land owner who feels themselves aggrieved by such denial, or imposition of special conditions, may appeal from the action of the Board to vote of the Benefit Unit Owners 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 Benefit Unit Owners vote in favor of a motion to overrule the decision of the Board.

Section 3. 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 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 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 Chairperson and Secretary, showing name of owner and tract of land to which the Benefit Unit is assigned, numbered consecutively in the order in which issued.

Section 4. 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 5. 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 and may be denied by the Board where uneconomical or unfeasible, or where an undue burden is placed on the District. No transfer in ownership of Benefit Units shall be permitted without the approval of the Board. No transfer will be approved unless all charges against the Benefit Unit are paid, or unpaid amount will transfer to the new Benefit Owner. All transfers when approved shall be recorded in the records of the District.

Section 6. Each Benefit Unit shall connect to the distribution system of the district with one service line only at the meter which is set by the District. This service line shall service only one family consisting of one or more individuals occupying a Dwelling Unit and living as a single household unit. A Dwelling Unit is any building or portion thereof which is designed and used exclusively of residential purposes. Agricultural uses shall be permitted in the case of a Dwelling Unit use only where no

business is being operated other than agricultural. In the alternative and not in addition thereto, the one service line permitted may serve only one Business Unit. A Business Unit is defined as any activity which results in the sale of a good or service which is operated separate and apart from a Dwelling Unit and which is operated separate and apart from another business activity. For example: if more than one business unit exists on the same real property, water service to the multiple business units must be limited to one point of use common to the multiple businesses. For instance on common bathroom which may consist of both a men's room and a women's room would qualify as serving one business.

Section 7. All water delivered to a Benefit Unit owner shall be delivered through a meter supplied and owned by the District. Each month the District shall bill each Benefit Unit owner (one bill for each Benefit Unit) for the water delivered to the location of each Benefit Unit. The bill shall be deemed delinquent if not paid in full by the 16th day of each month. Paid in full shall be defined as payment by cash, on-line payment, credit card, money order or check which payment shall be received in the District office before the close of business on said 16th day of each month. Payment through a drop box after the close of business on the 16th day of each month shall be deemed received the next business day. All delinquent accounts shall be assessed a late penalty of 15% of the bill plus all costs incurred in the collection of said delinquent accounts. Each month the account remains delinquent an additional 15% penalty shall be assessed calculated from the 16th day of each consecutive month. A written notice of a delinquent account shall be mailed to each Benefit Unit owner who is delinquent promptly after the delinquency occurs. Such written notice of delinquent account shall also give written notice of the date upon which disconnection may occur and the date upon which the Benefit Unit may be forfeited for failure to pay the delinquent account in full including all charges, penalties, fees and costs as herein authorized. No Benefit Unit, that is in the forfeiture process, will be reconnected until the delinquent account is paid in full together with the accruing penalties and reconnection fees ~~are not paid~~ within 30 days after such notice. No Benefit Unit may be reconnected after forfeiture except by action of the Board of Directors. The office staff of the District shall from time to time implement forms of notices for use in carrying out the provisions of these rules and these By-Laws. If any penalty or fee provided herein is determined to be in excess of any lawful amount permitted by law then in that event the penalty or fee shall be the highest amount permitted by law effective at the time of the assessment of the penalty or fee.

Section 8. If forfeiture of a Benefit Unit has occurred reinstatement of the Benefit Unit no later than 30 days from the date of forfeiture with all charges, penalties, fees and a \$1,000.00 reinstatement fee must be paid in full by the owner of land or lien holder on which the Benefit Unit is located.

Section 9. Any Benefit Unit owner requesting an adjustment due to a leak must provide proof, (parts invoice, labor invoice, etc.) of repairs to the Board of Directors. If any adjustment is granted by approval of the Board, and accepted by the Benefit Unit owner, Benefit Unit owner will not be eligible for another adjustment for two (2) years.

ARTICLE 7

ELECTION OF DIRECTORS

Section 1. The Board of this District shall consist of nine (9) members, all whom shall be participating members of the 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. No Benefit Unit Owner shall be eligible to vote for candidates to serve on the Board or to be elected to serve on said Board unless all accounts, fees, penalties or expenses owed to the District are paid in full.

Section 2. Nominations of candidates for a seat on the Board Directors shall be open for a minimum of 10 minutes so that all may have an opportunity to participate. All Benefit Unit owners in good standing with their account current shall be eligible to run for a seat on the Board of Directors.

Section 3. Immediately following the annual meeting of the Benefit Unit Owners, the Board shall hold a special meeting and shall elect a Chairperson, Vice-Chairperson, Secretary and Treasurer, from among themselves and shall hold office until the next annual meeting and until the election and qualification of successors unless sooner removed by death, resignation or for cause. The office of the secretary and treasurer may be held by one person.

Section 4. Any vacancy in the Board, other than from the expiration of a term of office, shall be filled by appointment by the remaining members of the Board. The disqualification of a Director as a Benefit Unit Owner of the District shall disqualify a Director and create a vacancy in the office of Director.

Section 5. A majority of the Board shall constitute a quorum at any meeting of the Board.

Section 6. 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 at any annual or special meeting called for that purpose. The Director shall be informed in writing of the charges against him 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 7. Board members may be removed for cause by vote of 2/3rds of the members of the Board for three (3) consecutive unattended regular monthly meetings, if found in violation of the Kansas Open Meetings Act or acts unbecoming a Director of the Board.

ARTICLE 8

POWERS AND DUTIES OF DIRECTORS

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

- (a) To select and appoint all agents and employees of the District or remove such agents and employees of the District for just cause, prescribe such duties and designate such

powers as may not be inconsistent with these By-Laws, and fix their compensation and pay for faithful services.

- (b) To borrow from any source money, goods or services and to make and issue notes, and other negotiable and transferable instruments, mortgages deeds of trust and trust agreements, and to do every act and things necessary to effectuate the same.
- (c) To prescribe, adopt and amend, from time to time, such equitable and uniform rules and regulations, as in its discretion, may be deemed essential or convenient for the conduct of business and affairs of the District, and the guidance and control of its agents and employees.
- (d) To fix charges to be paid, by each water user, for services rendered by the District, the time of payment, and the manner of collection, and to establish equal rates for all members, according to the amount of services furnished.
- (e) To require all officers, agent 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 to act as depositories of the funds of the District and to determine the manner of receiving, depositing, and disbursing the funds of the District in the form of checks, and the person by whom the same shall be signed on behalf of the Chairperson, with the power to change such bank or person signing such checks and the form thereof at will.
- (g) Prepare annually an estimated budget for the coming year, adjust water rates, if necessary to produce sufficient revenue required by such budget, cause an annual audit of the District records and accounts to be made by a licensed municipal public accountant or a competent certified public accountant; and make a report on said matters at each annual

ARTICLE 9

POWER AND DUTIES OF MANAGER

Section 1. The Board may employ for the District a manager, who shall have charge of the business of the District under the general control, supervision and direction of the Board. No Director shall serve as manager. Subject to the approval of the Board, the manager shall employ supervise and dismiss all agents and employees of the District and fix their compensation. He /she shall also, so far as

practical, conduct the business in such a way that all patrons receive equal service and treatment, deposit in a bank selected by the Board all money belonging to the District, which comes into his/her possession; maintain records and accounts in such a manner that the true and correct condition of the business may be ascertained there from at any time; furnish the Board a current statement of business and affairs of the District at each scheduled meeting of the Board and at the end of each fiscal year and at such other times and in such forms as the Board may direct; carefully preserve and turn over to his/her successor all books, records, documents, and correspondence pertaining to the business of the District which may come into his/her possession; and to perform such, other duties as may be prescribed by the Board.

ARTICLE 10

DUTIES OF OFFICERS

Section 1. Chairperson. The Chairperson, 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/she 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 or other authorized board member. The Chairperson shall perform such other duties as may be prescribed by the Board

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

Section 3. Secretary.

- (a) It shall be the duties of the Secretary, who shall be a member of the Board, to keep a record of the proceedings of the meetings of the Board and of the District. He/she shall serve, or caused to be served, all notices required to be served by law or the By-Laws of the District; and in case of his/her absence, inability, refusal or neglect to do so, then such notices may be served by any member of the Board directed by the Chairman.
- (b) **Assistant –Secretary.** In the absence or disability of the Secretary, who need not be a member of the Board, may perform the duties of Secretary. The Secretary may also delegate such responsibilities to the Assistant-Secretary as in the discretion of the Secretary he/she deems appropriate to the efficient transaction of the Business of the District and the management of the records of thereof.

Section 4. Treasurer. The Treasurer, who shall be a member of the Board, shall receive and account for all funds of the District, shall deposit the same in some bank designated by the Board as a depository, and pay the amounts or cause them to be paid out of the depository only on the checks of the Chairperson, or someone authorized to sign on the Chairperson's behalf, countersigned by the Treasurer, or someone authorized to sign on the Treasurer's behalf. At each annual meeting of the District he/she shall submit for the information of participating members a complete statement of his/her account for the past year and he/she shall discharge such other duties pertaining to his/her office as shall be

prescribed by the Board, and shall give a good and sufficient bond in such amount as may be fixed by the Board.

ARTICLE 11

BOOKS AND RECORDS

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

ARTICLE 12

ANNUAL MEETING OF PARTICIPATING MEMBERS

Section 1. The annual meeting of the Benefit Unit Owners of the District shall be held at some suitable location within the District or within the City of Osawatomie, designated by the Board at 7:30 p.m. on the second Thursday in February of each year.

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

Section 3. Notice of meetings of Benefit Unit Owners of the District shall be given by mail to each Benefit Unit Owner 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 meeting, but no failure or irregularity of a notice of any annual meeting, regularly held, shall affect any action taken at such a meeting.

Section 4. The Benefit Unit Owners present at any meeting of Benefit Unit Owners shall constitute a quorum for the purpose of the transacting business.

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

- (a) Call to Order;
- (b) Proof of Notice of Meeting;
- (c) Reading and approval of minutes of last meeting;
- (d) Report of officers and committees;
- (e) Election of Directors;
- (f) Unfinished business;
- (g) New business
- (h) Adjournment

Section 6. All meetings shall be open to the public except executive sessions may be called during which no transaction of business may occur where a vote or other such binding action is taken. Before any executive session may be convened a purpose must be stated under which an executive session is lawfully permitted and the time shall be announced when the Board shall reconvene into public session. The Kansas Open Meetings Act shall be followed and strictly enforced. If during an executive session it should become evident to any Board member that the continuance of such session would violate the Kansas Open Meetings Act then such executive session should immediately end; the reconvening of the public session shall not occur until the time announced as to when the public session would have otherwise reconvened.

ARTICLE 13

BOARD MEETINGS

Section 1. The Board shall meet annually immediately following the annual meeting of the Benefit Unit Owners, and may meet at such or other times as may be determined by the Board or upon call by the Chairperson or any two members of the Board. Notice of all meetings of the Board, other than the regular meeting for election of officers, to be held immediately following the annual meeting of the Benefit Unit Owners, 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 shall be as valid as though the previous written notice aforesaid had been given.

ARTICLE 14

MANNER OF ELECTION AND VOTING

Section 1. At all meetings of the District, each Benefit Unit Owner, 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 Benefit Unit Owner of the District shall have but one vote.

ARTICLE 15

SEAL

Deleted by amendment.

ARTICLE 16

FISCAL YEAR

Section 1. These By-Laws may be repealed or amended by a vote of 3/4ths of the Benefit Unit Owners present at any regular meeting of the District, or at any special meeting of the District called for that purpose except that the Benefit Unit Owners 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 Kansas, 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 Benefit Unit Owners, or to deprive any Benefit Unit Owner or land owner 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 must be given at least 10 days before such meeting and must set forth the amendments to be considered.

ARTICLE 17

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.

ARTICLE 18

BENEFITS AND DUTIES OF MEMBERS

Section 1. The District shall install, maintain and operate a main distribution pipeline or lines from the source of water supply, and lines from the main distribution pipeline or lines, to the property line of each Benefit Unit Owner of the District, at which point designated as delivery points, meters to be purchased, installed, owned and maintained by the District shall be placed only upon the property of each Benefit Unit Owner of the District for which a Benefit Unit has been issued. All meters installed on property other than that of the Benefit Unit holder shall be moved at the expense of the Benefit Unit holder.

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

Section 3. In the event the total water supply shall be insufficient to meet all of the needs of the Benefit Unit Owners, or in the event there is a shortage of water, the District may pro-rate the water available among the various Benefit Unit Owners 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 Benefit Unit Owner for domestic, livestock, garden and other purposes, and the District must first satisfy all the needs of the Benefit Unit Owners for domestic purposes before supplying any water for livestock purposes and must satisfy all the needs of all the Benefit Unit Owners for domestic and livestock purposes before supplying water for gardens or other purposes.

ARTICLE 19

LARGE AGRICULTURAL/BUSINESS UNIT

Section 1. Large Agricultural/Business Units or Wholesale User applying for a Benefit Unit as a large water user, as determined by the Board of Directors must supply a plan to the Board of Directors showing:

- (a.) An onsite storage unit;
- (b.) Time of day high usage plan;
- (c.) A business plan;
- (d.) An engineering study of water lines and consumption of water, performed by an engineering firm approved by the Board of Directors, paid for by the Business Unit applicant.

Section 2. The Board shall have the right to limit water usage of a Large Agricultural/Business Unit and a Wholesale User in the event water supply may affect other patrons of the District or is insufficient to supply sufficient pressure to Businesses or Benefit Unit owners within the District.

Section 3. All Water connections from this District to the property of a Large Agricultural/Business Unit or Wholesale User must be approved by the Board before the time of connection.

Section 4. The Board shall have the right to require a 3 inch air gap or backfill preventer, and specify its placement on the water line, as deemed necessary by the Board. The Agricultural/Business Unit or Wholesale User shall install and maintain the required air gap or backfill preventer at its own cost. The Board shall have the right to inspect for initial and continued compliance with this Article. The Board shall also have the right to compel compliance with this Article as deemed necessary by the Board. The Board shall have the right to deny service for noncompliance with this Article.

Section 5. No Agricultural/Business Unit or Wholesale User shall be supplied from a Benefit Unit already assigned to property not deemed an Agricultural/Business Unit or Wholesale User, and in compliance with this Article, without the approval of the Board of Directors.

Section 6. The Board shall have the right to discontinue supplying water to Business Units or Wholesale Users engaged in the oil business first, in the event of a water emergency, drought, low pressure issues, or any other water supply problems deemed necessary by the Board of Directors.

Section 7. All applicants applying for a Benefit Unit pursuant to an oil and gas lease must comply with all sections of Article 19.

Section 8. Cash contribution for upgrade of infrastructure of water mains, holding tanks, easements, etc. may be allocated to the Large Agricultural/Business Unit or Wholesale User, by the Board of Directors, if deemed necessary so as not to impair the service of other water users.

Section 9. Large Agricultural/Business Units and Wholesale Users must provide documentation from the City of Osawatomie and/or Public Wholesale Water Supply District #13 to allow Rural Water District No. 3, Miami County to service said Large Agricultural/Business Unit or Wholesale User.

Section 10. Large Agricultural/Business Units and Wholesale Users must procure all easements before construction can begin. Rural Water District No. 3, Miami County, will file all easements in the counties necessary, with all cost being the responsibility of the Large Agricultural/Business Unit or Wholesale User.

Article 20
EASEMENTS

Section 1. No Benefit Unit water meter will be set unless a properly executed and notarized right of way easement is delivered to the District by the title owner of the property where the Benefit Unit exists. Such properly executed and notarized right of way easement shall be first approved by the District and then recorded by the District with the Register of Deeds Office with the county in which such land is situated.

Section 2. No construction of any type will begin without notarized, signed easements from land owners where the construction may occur. Easements will be filed by the District with the Register of Deeds Office with the county in which such land is situated.

Section 3. In the event of a water main or line leak or break Rural Water District No. 3, Miami County shall perform no repair or replacement service to a Benefit Unit unless a current right of way easement has been granted by the title owner of the property where the Benefit Unit exists. Water service will continue to be disrupted until a right of way easement is obtained and approved by the District.

Section 4. In the event water service has been disconnected for failure to pay for water service and no right of way easement is existing, then the District shall not reconnect service until a properly executed and notarized right of way easement is delivered to and accepted by the District for recording.