

**RURAL WATER DISTRICT NO. 2
MONTGOMERY COUNTY, KANSAS**

Revised Bylaws for RWD #2

Article 1

Name and Place of Business

Section 1. The name of this corporation shall be Rural Water District No. 2, Montgomery County, Kansas.

Section 2. The principal office of this District shall be located at such place as designated by the Board of Directors.

Article 2

Corporate Powers

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

Article 3

Purpose and Objectives

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

(a) To acquire water and water rights and to build and acquire pipe lines and other facilities, and to operate the same for the purpose of furnishing water for domestic, garden, livestock and other purposes to owners and occupants of land located within the District, and others as authorized by these Bylaws.

(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, as may be necessary and convenient for the proper conduct and operation of the business of the District.

(d) To establish rates and impose charges for water furnished to participating members and others.

(e) To enter into contracts for the purpose of accomplishing the purposes of the District with any person 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

Definitions

Participating member: owners of land located within the District who have subscribed to one or more Benefit Units.

Owners of land: one or more persons in whom title to real estate is vested, to include a person or persons owning an equitable interest in real estate by virtue of an installment purchase contract.

Article 5

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 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 the tenant is occupying.

Section 3. An applicant for a Benefit Unit shall complete the application form provided by the District, and shall sign the Water User Agreement provided by the District at the time of application.

Article 6

Right to Vote

Section 1. Only participating members shall have the right to vote, and each participating member shall be entitled to a single vote, regardless of the number of Benefit Units to which the member may have subscribed. There shall be no proxy voting. A participating member may be an individual, firm, partnership, association, or corporation. A firm, partnership, association, or corporation may vote by designating one of its members to vote on its behalf. Provided, no participating member shall vote unless the payment of charges are current on at least one of the Benefit Units.

Article 7

Benefit Units

Section 1. The Board shall establish a fee for Benefit Units. Each Benefit Unit shall carry with it the obligation of paying a minimum monthly meter charge from the time service can be established as determined by the Board of Directors. Additional Benefit Units shall be available only as capacity of the District's facilities permit, as determined by the Board of Directors. Subscriptions for Benefit Units shall be given preference and priority in order in which received by the Board of Directors. 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.

Article 8

Election of Directors

Section 1. The Board of this District shall consist of five (5) members. The participating members shall elect for a term of three years the number of Directors whose terms of office have expired.

Section 2. Immediately following the annual meeting of the participating members, the Board shall meet and shall elect a Chairman, Vice-Chairman, Secretary and Treasurer, from among themselves, each of whom shall hold office until the next annual meeting 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 disqualification of a Director as a participating member of the District shall operate to disqualify him or her as a Director and to create a vacancy in the office of the Director.

Section 4. A majority of the Board shall constitute a quorum at any meeting of the Board.

Section 5. Any Director of the District may be removed from office for cause by a vote of not less than 3/4ths of the participating members of the District present at any annual or special meeting called for that purpose. The Director shall be informed in writing of the charges preferred 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. Officers of the Board may be removed for cause by majority vote of the Board.

Article 9

Powers and Duties of Directors

Section 1. The Board, subject to the restrictions of law, and these Bylaws 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 given hereby, 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 Bylaws, and fix their compensation and pay for faithful services.

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

(c) To prescribe, adopt and amend, from time to time, such equitable and uniform rules and regulations, as in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the District, and the guidance and control of its agents and employees.

(d) To fix charges to be paid by each water user for services rendered by the District to the member, the time of payment,

or be uneconomical, unfeasible or place an undue burden on the District.

Section 2. Upon the purchase of Benefit Units, the owner(s) 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(s) 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 Chairman 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 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 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 Benefit Units shall be permitted without the approval of the Board. No transfer will be approved unless all charges against the Benefit Unit are paid. All transfers when approved shall be recorded in the books of the District. In the event the ownership of the land has changed and no request for transfer was initiated by the Benefit Unit owner, then the District shall consider the transfer of the Benefit Unit to the new owner upon proof of ownership of the land.

Section 5. Each Benefit Unit shall entitle the owner to not 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 out buildings.

Section 6. Failure to timely pay any charges or fees payable to the District, or violation of any of these Bylaws or the Rules and Regulations of the District, shall be cause for termination of water service. The Board shall provide for the procedure to be followed before water service is terminated.

Section 7. A Benefit Unit shall be subject to forfeiture any time that any minimum monthly charge or charge for metered water remains unpaid for six months or longer after becoming first due and payable. Forfeiture shall occur only in accordance with the following procedure:

Notice shall be given to the Benefit Unit owner at the owner's last known address by restricted mail, return receipt requested. Such notice shall state that the Benefit Unit is subject to forfeiture, the reason therefor, the date, time and place of the next regular meeting of the Board of Directors, and that the unit shall be subject to forfeiture by action of the Board of Directors at its next regular meeting unless the Benefit Unit owner appears and shows cause why the Benefit Unit should not be forfeited. If the Benefit Unit is not forfeited at that meeting, the same notice shall be given again before that Benefit Unit is forfeited.

and the manner of collection, and to establish rates for services furnished.

(e) To require all officers, agents and employees, charged with the responsibility for the custody of any funds of the District to give adequate bond, 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 Chairman, with the power to change such bank or person signing such checks and the form thereof at will.

(g) Prepare annually an estimated budget for the coming year, adjust water rates, if necessary, to produce sufficient revenue required by such budget, cause an annual audit of the District records and accounts to be made by a licensed municipal public accountant or a certified public accountant, and make a report on said matters at each annual meeting of participating members.

h) When a person is sued or prosecuted in a civil or criminal action in his or her capacity as an employee, officer or director of the District, such person shall be indemnified for such claim, including the reasonable cost of defense thereof so long as:

1) such person is successful in the defense of the claim, or the claim is settled; and

2) the court finds that such person's conduct fairly and equitable merits such indemnity.

Article 10

Powers and Duties of Manager

Section 1. The Board may employ such employees, agents and contractors upon such terms as the Board of Directors sees fit. No Director shall be simultaneously employed by said District.

Article 11

Duties of Officers

Section 1. Chairman. The Chairman, who shall be a member of the Board, shall preside over all meetings of the District and the Board, call special meetings of the District and the Board, perform all acts and duties usually performed by an executive and presiding officer, and shall sign all Benefit Unit Certificates and such other papers of the District as authorized or directed to sign by the Board, provided that 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 someone on the Treasurer's behalf. 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 duty 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 the District. He shall serve, or cause to be served, all notices required to be served by law of the Bylaws of the District; and in case of the Secretary's absence, inability, refusal or neglect to do so, then such notices may be served by any member of the board directed by the Chairman.

Section 4. Treasurer. The Treasurer, who shall be a member of the Board, shall account for all funds of the District, and shall pay amounts out of the Depository only on the checks of the Chairman, or someone authorized to sign on the Chairman's behalf, countersigned by the Treasurer or someone on the Treasurer's behalf. At each annual meeting of the District, the Treasurer shall submit for the information of the participating members a complete statement of account for the past year and shall discharge such other duties pertaining to the Treasurer 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 12

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 according to law.

Article 13

Annual or Special Meetings of Participating Members

Section 1. The annual meeting of the participating members of the District shall be held at some suitable location designated by the Board. Said annual meeting shall be held the fourth (4th) Tuesday in February.

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 participating members of the District. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat except such as is specified in the notice.

Section 3. Notice of meetings of participating members of the District shall be given by mail to each participating member of record directed to the address shown upon the books of the District at least 10 days prior to the meeting, but no failure or irregularity of a notice of any annual meeting, regularly held, shall affect any proceeding taken thereat.

Section 4. The participating members present at any meeting of participating members shall constitute a quorum for the purpose of 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.

Article 14

Board Meetings

Section 1. The Board shall meet annually immediately following the meeting of participating members, and may meet at such or other times as may be determined by the Board, or upon call by the Chairman or any two members of the Board. Notice of all meetings of the Board, other than the meeting to be held immediately following the meeting of the annual meeting of the members, shall be by mailing a notice to the last known business or residence address of each Director, at least two day days before the holding of such a meeting: Provided, however, that when all of the Directors are present at any meeting, however called, or consent in writing that such meeting may be held, the proceedings thereat shall be as valid as though the previous written notice aforesaid had been given.

Article 15

Seal

Section 1. The District shall have a corporate seal, consisting of a circle having on its circumference and face the words, "Rural Water District No. 2, Montgomery County, Kansas," which shall be in the custody of the Secretary.

Article 16

Fiscal Year

Section 1. The Fiscal Year of the District shall begin the first day January of each year.

Article 17

Amendment

Section 1. These Bylaws may be repealed or amended by a vote of 3/4ths of the participating members present at any regular meeting of the District, or at any special meeting of the District called for that purpose except that the participating members shall not have the power to change the purposes of the District so as to impair its rights and powers under the laws of the State of Kansas, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the District or its participating members, or to deprive any participating member or landowner of rights and privileges then existing, or to so amend the Bylaws as to affect a fundamental change in the policies of the District. Notice of any amendment to be made at any regular or special meeting of the participating members must be given at least 10 days before such meeting and must set forth the amendments to be considered.

Article 18

Basis of Operation

Section 1. The District shall at all times be operating on a non-profit basis for the mutual benefit of its participating members.

Article 19

Benefits and Duties of Members

Section 1. The District shall install, own, maintain and operate a water distribution system to the point of delivery which point shall be the discharge side of the water meter.

Section 2. Each participating member shall be entitled to purchase from the District such water as the participating member may desire subject, however, to the provisions of these Bylaws and such Rules and Regulation's as may be prescribed by the board. The water delivered to each participating member shall be metered.

Section 3. In the event the total water supply shall be insufficient to meet all of the needs of the members and users, or in event there is a shortage of water, the District may prorate the water available according to the Water Conservation Plan as approved by the Board.

Article 20

Printing

Section 1. After adoption, these Bylaws shall be prepared in pamphlet form, and a copy thereof shall be delivered to each participating member.

AFFIDAVIT

State of Kansas }
County of Montgomery } ss:

I, William E. Williams, being first duly sworn, depose and state, as chairman of the Board of Directors of Rural Water District No. 2, Montgomery County, Kansas that the foregoing Bylaws were adopted at a meeting of the landowners of said District, duly held on the 28th day of February, 1995. That there were twenty (20) landowners present in person and that the vote for the adoption of the Bylaws was unanimous.