

**RURAL WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS**

BY-LAWS

ARTICLE 1

Name & Place of Business

Section 1. The name of this corporation shall be Rural Water District No. 7, Johnson 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 operate pipe lines and other facilities, and to operate the same for the purpose of furnishing water to its participating members 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.

(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 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 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 owners of land located within the District shall be eligible to become a water subscriber unless he or she has first purchased one or more Benefit Units. Tenants occupying land located within the District may become water customers: Provided, that the owner or someone on behalf of the owner, has purchased 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 5 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 such member may have subscribed. There shall be no proxy voting, and no dual ownership of Benefit Units for voting purposes. A participating member may be an individual, firm, partnership, association or corporation. Participating members shall be owners of land located within the District who have subscribed to one or more Benefit Units. In addition, to be a participating member payment of charges must be current on at least one of the Benefit Units held by the member.

ARTICLE 6

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 is available. Benefit Units shall be available for purchase as capacity of the District's facilities permit, as determined by the Board. Application for Benefit Units shall be given preference and priority in order in which received, unless otherwise provided by the Board. The Board may refuse the application 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 application and the furnishing of water pursuant thereto, would impair the service to other water users in that locality or be uneconomical, unfeasible or place an undue burden on the District.

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. Any applicant purchasing more than one Benefit Unit to be assigned to one tract of land shall at the time of purchase designate as nearly as practical the location on said tract where the applicant intends to utilize said Benefit Units and no major change in location shall be made without the approval of the Board. The Board may approve Benefit Units to serve multiple users upon such terms and conditions established by the Board.

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 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 and all other conditions imposed by the Board have been satisfied. 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 may consider the transfer of the Benefit Unit to the new owner upon proof of ownership of the land. In the event the land is subdivided, the Benefit Unit shall be assigned to the tract where the residence or business it serves is located, or if none, then where the meter is located. 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 only one residence or business establishment together with the necessary and usual out-buildings. Home occupations located wholly within a residence shall not be deemed to require more than one Benefit Unit

for service. The Board may establish rules, regulations or policies that control the determination whether a benefit unit is serving more than one residence or business. Benefit Units approved by the Board to serve rental properties or other multifamily uses shall be used in accordance with those conditions provided by the Board.

Section 6. Failure to timely pay any charges or fees payable to the District, or violation of any of these By-Laws 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 regardless of whether such charges were incurred by the Benefit Unit owner or some other person. 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 certified mail, return receipt requested. Such notice shall state that the Benefit Unit is subject to forfeiture, the reason therefore, 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.

Section 8. A Benefit Unit forfeited for nonpayment shall be reinstated upon compliance with the Rules and Regulation regarding reinstatement of benefit units. A Benefit Unit forfeited for reasons other than nonpayment may be reinstated by the Board, as it may direct.

ARTICLE 7

Election of Directors

Section 1. The Board of this District shall consist of nine (9) members, all of whom shall be participating members of the District. At each annual meeting of the participating members, the participating members shall elect for a term of three years the number of Directors whose terms of office have expired. No Director shall be eligible for re-election to successive terms.

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 or her successor unless sooner removed by 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 disqualify such person as a Director and to create a vacancy in the office of the Director.

Section 4. Any five Directors at a meeting shall constitute a quorum to conduct business at any meeting of the Board of Directors.

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 attending and voting at any annual or special meeting called for that purpose. The Director shall be informed in writing of the charges against him or her at least 10 days before such meeting, whether regular or special, and at the meeting shall have an opportunity to present witnesses and be heard in person in answer thereto. Officers of the Board may be removed for cause by vote of 6 members of the Board. Employees and agents may be discharged or removed from office or employment at any time by action of the Board. Unexcused absence by a Director of three consecutive meetings is cause for removal of the Director from 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 thing necessary to effectuate the same.

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

(d) To fix rates and charges to be paid by each water user for services rendered by the District, the time of payment, and the manner of collection.

(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.

(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 powers 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 was acting in good faith in his or her capacity on behalf of the District; and
- 2) the court finds that such person's conduct fairly and equitably merits such indemnity.

ARTICLE 9 Powers 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. The manager shall employ, supervise and dismiss all agents and employees of the District and fix their compensation, subject to the Board's general supervision. The manager shall be responsible to perform such other duties and responsibilities as prescribed by the Board.

ARTICLE 10
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 such papers of the District as he or she may be authorized or directed to sign by the Board, provided that the Board may authorize any person to sign checks on behalf of the District or make any form of electronic payment on behalf of the District. The Chairman shall be entitled to vote only when necessary to break a tie. The Chairman shall perform such other duties as may be prescribed by the Board.

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

Section 3. Secretary. It shall be the duties of the Secretary, who shall be a member of the Board, to keep a record of the proceedings of the meetings of the Board and of the District. The Secretary shall serve, or cause to be served, all notices required to be served by law or the By-Laws of the District; and in the 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 receive or cause to be received and account for all funds of the District, shall deposit or cause to be deposited 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 as authorized by the Board. Notwithstanding the previous sentence and as set forth in Section 1, above, the Board may authorize any person to sign and issue checks on behalf of the District or make any form of electronic payment on behalf of the District. At each annual meeting of the District, the Treasurer shall submit for the information of the participating members a complete statement of the account for the past year 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 shall, during all reasonable business hours, be subject to inspection according to law.

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 designated by the Board, at a time and date specified by the Board, not later than the 1st day of April of each year.

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. Such notice shall state the nature, time, place and purpose of the meeting, but no failure or irregularity of a notice of any annual meeting, regularly held, shall affect any proceeding taken thereat.

Section 4. The participating members present at any 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 committees;
- (e) Election of Directors;
- (f) Unfinished business;
- (g) New Business;
- (h) Adjournment

ARTICLE 13 **Board Meetings**

Section 1. The Board shall meet annually, immediately following the meeting of the 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 annual meeting, shall be by mailing a notice to the last known business or residence address of each Director, at least two days before the holding of such meeting; provided, however, that when all of the Directors are present at any meeting, however called, or consent in writing that such meeting may be held, the proceedings thereat shall be as valid as though the previous written notice had been given.

ARTICLE 14
Manner of Election and Voting

Section 1. 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 participating member of the District shall have but one vote.

Section 2. Voting for the election of Directors. As allowed under K.S.A. §82a-648, election of Directors at the annual meeting shall be by mail and direct ballot, in accordance with the following procedures:

- a) Nominations for the expired regular terms of any director standing for election at an annual meeting can be provided by any participating member, however, the same must be submitted ninety (90) days prior to the scheduled annual meeting. Any such nomination must be signed by the participating member, and contain such information as required by the District necessary to confirm status as a participating member.
- b) The Board of Directors shall nominate one nominee for each vacancy on the Board of Directors standing for election, or may defer a nomination if a nomination from a non-Director participating member has been received for said vacancy. The Board may reject a nomination from a participating member if the nominee is not eligible, or otherwise indicates, by direct inquiry, that the nominee will not serve as Director. After determining the nominees for each vacancy, the Board of Directors shall adopt an official slate of candidates approved at a Board meeting at least sixty (60) days in advance of the annual meeting. This official slate of candidates shall be published in the form of a ballot to all participating members in a form and manner as the Board may direct. This ballot shall include spaces for participating members to write-in a candidate.
- c) All ballots must be postmarked and mailed to the District at least 10 days prior to the annual meeting, and signed by the participating member. In no case will any ballot received after the time of the annual meeting be counted as a vote. No person submitting a mail ballot may alter or change his or her vote after submission of the same to the District, nor may they vote at the election of Directors at the annual meeting. Any person not submitting a mail-in ballot may cast a vote at the annual meeting and can nominate additional candidates as may be allowed by the participating members at said meeting. The presiding officer at the annual meeting may reject any mail-in ballot, but only for failure to sign the ballot, for voting for a write-in candidate that is not eligible to serve, or for such other irregularity that would call into question the validity of the mail-in vote.

- d) The Board, by motion adopted at any Board meeting, may alter or extend any deadlines or required dates should the annual meeting be delayed for any reason. The Board may also alter or extend any deadlines due to the dates thereof falling on a weekend or holiday, if the same would restrict or harm the ability of ballots to be timely submitted. In any case, any change in dates, notices or other irregularity of the proceedings shall not invalidate the results of the election of Directors.

ARTICLE 15

Seal

Section 1. The District shall have a corporate seal, consisting of a circle having in its circumference and face the words, "Rural Water District No. 7, Johnson 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 of January of each year.

ARTICLE 17

Amendment

Section 1. These By-Laws may be replaced 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 members or landowner of rights and privileges then existing, or to so amend the By-Laws as to affect a fundamental change in the policies of the District. Notice of any amendment to be made at any regular or special meeting of the 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 operated 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 line or lines from the source of water supply, and lines from the main distribution pipe or lines, to the point of delivery which shall be the discharge side of the water meter serving each customer.

Section 2. Each participating member shall be entitled to purchase from the District, pursuant to the Water User Agreement between the member and the District, such water as the 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 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 the event there is a shortage of water, the District may pro-rate the water available according to the Water Conservation Plan and Water Conservation Policy, as approved by the Board as may be amended from time to time.

ARTICLE 20
Printing

Section 1. These By-Laws shall be provided to all participating members at the time they become members of the District and to all others upon request.