

BY-LAWS OF THE
KUSHLA WATER DISTRICT*

ARTICLE I

GENERAL PURPOSES

The purposes for which this corporation is formed, and the powers which it may exercise are set forth in the Certificate of Incorporation.

ARTICLE II

NAME AND LOCATION

1. The name of this corporation is KUSHLA WATER DISTRICT.*
2. The principal office of this corporation shall be located in the unincorporated community of Kushla, Alabama, but the corporation may maintain offices and places of business at such other places within the state as the Board of Directors may determine.

ARTICLE III

FISCAL YEAR

The fiscal year of the corporation shall begin the first day of October** in each year.

ARTICLE IV

DIRECTORS

1. The business affairs and property of the corporation shall be conducted, managed and carried on by its Board of Directors consisting of not less than five members who shall be elected by the governing body of Mobile County, Alabama, in accord with the Alabama Code of 1940, Title 50, Chapter 6, Section 104, as amended in 1970. The initial term of office of each director shall begin immediately upon his election and shall end at 12:01 o'clock A.M., on the fourth anniversary date of the filing for record of the certificate of incorporation of the authority. Thereafter, their term of office of each such director shall be four years. Any vacancy in the membership of the Board of Directors shall be filled by a successor Director elected by that governing body which elected the director whose unexpired term he is to fill. Such a successor Director is to serve for the unexpired term applicable to such vacancy.
2. The Board of Directors may hold regular meetings, and in addition thereto any special meetings in accord with the requirements set out hereafter, have one or more offices, and keep the books and records of said Corporation at such places within Mobile County, Alabama, as they may, from time to time, determine. Should it be necessary, the Board of Directors may, by waiver of

the membership of the Board, hold meetings of the Board at such other places as it may determine wise or expedient.

3. The Board of Director, subject to restrictions of law, the Charter, or these By-Laws, shall exercise all of the powers of the corporation, and, without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board of Directors shall have, and are hereby given full power and authority (to be exercised by resolution duly adopted by the Board) in respect to the matters as hereinafter set forth:
 - a. To select and appoint all officers, agents or employees of the corporation or to remove such agents or employees of the corporation for just cause, prescribe such duties and delegate such powers as may not be inconsistent with these by-laws, 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 uniform rules and regulations as, in their discretion, may be deemed necessary, or convenient for the conduct of the business and affairs of the corporation and the guidance and control of its officers and employees, and to prescribe penalties for the breach thereof.
 - d. To order, at least once each year, an audit of the books and accounts of the corporation by a competent certified public accountant.
 - e. To fix the charges, rates and connection fees, to be paid by each water user for the services rendered by the corporation to him, the time of payment and the manner of collection.
 - f. To require all officers, agents and employees charged with responsibility for the custody of any of the funds of the corporation to give adequate bonds, the cost thereof to be paid by the corporation, and it shall be mandatory upon the Directors to so require.
 - g. To select one or more banks or financial institutions*****to act as depositaries of the funds of the corporation and to determine the manner of receiving, depositing, and disbursing the funds of the corporation and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks or financial institutions***** and the person or persons signing such checks and the form thereof at will, except that no bank or financial institution ***** may be so designated unless such deposits are protected by an agency of the United States of America, such as the Federal Deposit Insurance Corporation or similar agency.
4. In addition to the powers and authorities of these by-laws expressly conferred upon it the Board of Directors shall have all the powers and authorities conferred upon it by the provisions of the Alabama Code of 1940, Title 60, Chapter 6, Sections 104 and 105, as amended in 1970 (Sections 6 and 7 of Act No. 29 of the 1970 Special Session of the Legislature, approved on March 4, 1970).
5. The members of the Board of Directors, except the Chairman, shall receive compensation of \$200 per month for their services, not to exceed \$2400 per year.***** The Chairman of the Board shall receive compensation of \$300 per month for services, not to exceed \$3600 per year *****.

ARTICLE V

MEETING OF THE BOARD OF DIRECTORS

1. Regular meetings of the Board of Directors shall be held monthly at such time and place as the Board of Directors may fix and determine. No notice shall be required of regular meeting of the Board.
2. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board on one day's notice to each member of the Board, which notice shall be in writing and shall state the time, place and purposes of the special meeting. Special meetings may, in like manner, be called by any three members of the Board. Should it be necessary, the Board of Directors may, by waiver of the whole membership of the Board, hold special meetings of the Board at any time or place as it deems wise and expedient, said waiver to be executed at said special meeting by all members of the Board of Directors.
3. At any meetings of the Board of Directors, a majority thereof shall constitute a quorum for the transaction of business, and the action of the majority of the members of the Board present at any regular or special meeting at which a quorum of the Board is present shall constitute action of the Board of Directors.

ARTICLE VI

OFFICES OF THE BOARD AND OF THE CORPORATION

1. The officers of the Board of Directors and of the Authority shall be a Chairman, a Vice-Chairman, a Secretary and a Treasurer; provided, however, that the office of Secretary and Treasurer may be held by the same person. Such officers will be elected by the Board of Directors at its regular meeting held in the month of July****each year. The Secretary and Treasurer, or the Secretary-Treasurer, need not be a director of the Authority;
2. The Board of Directors may select, appoint, or employ such officers, agents and employees as it may deem necessary and expedient, who shall hold their offices and employment for such terms and shall exercise such powers and perform such duties as shall be fixed and determined by the Board of Directors.
3. The salaries of all officers, employees and agents of the Corporation shall be fixed by the Board of Directors.
4. The officers of the Board and of the Corporation shall hold office until their successors are chosen and qualified. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of the majority of the entire Board of Directors, in which event a new officer shall be elected.

ARTICLE VII

CHAIRMAN OF THE BOARD OF DIRECTORS

The chairman of the Board of Directors shall be the chief executive officer of the Corporation. He/she shall preside at all meetings of the Board at which he/she shall be present and shall see that all orders and recommendations of the Board of Directors are carried into effect. He shall execute all contracts, undertakings, agreements, conveyances, and other legal documents of the Authority and of the Board of Directors of the Corporation.

ARTICLE VIII

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

The Vice-Chairman of the Board shall succeed to the office of the Chairman of the Board in case of the resignation, death, disqualification or removal of the Chairman of the Board during the term for which he shall be elected and shall continue therein for the remainder of the term for which he was so elected. The Vice-Chairman shall have the same powers and duties as the Chairman in the absence of the Chairman. The Vice-Chairman shall also be empowered to execute contracts, undertakings, agreements, conveyances and other legal documents of the Board of Directors of the Corporation.

ARTICLE IX

SECRETARY-TREASURER

The Secretary-Treasurer shall attend the meetings of the Board of Directors and record, or cause to be recorded the minutes of the meetings of the Board and to keep the same in a well-bound loose leaf book approved for that purpose by the Board, he shall give, or cause to be given, notice of all meetings of the Board. He shall be custodian of the seal of the corporation and, when authorized by the Board, affix the same to all instruments requiring the seal of the Corporation, and shall attest the execution of all papers of the Board requiring attestation. He shall perform such other duties as may be prescribed by the Board of Directors. He shall be the custodian of the funds of the corporation and shall deposit, withdraw and expend the same from time to time as may be authorized by the Board. The Board may, however, if it deems it advisable, require that any and all checks or drafts upon funds of the corporation be countersigned by one or more person which the Board shall designate upon its minutes. He shall make reports from time to time, as the Board may require, as to the financial condition of the Board of Directors and of the Corporation.

ARTICLE X

DUTIES OF OFFICERS MAY BE DELEGATED

In case of the absence of any officer of the Board and of the Corporation, the Board may delegate for the time being the powers and duties, or any one of them, of such absent officer to any other member of the Board of officer of the Board upon the affirmative vote of a majority of the Board.

ARTICLE XI

CHECKS AND DRAFTS OF BOARD

In the absence of disability of the Secretary-Treasurer, all checks, drafts, or orders for the payment of money shall be signed by such officer or officers or such third persons as the Board may, from time to time, designate.

ARTICLE XII

NOTICES

1. Whenever, under the provisions of these by-laws, notice is required to be given to any officer or member of the Board, such notice must be given to him in person unless he is absent from the community of Kushla, Alabama, or away from his usual place of business or residence, in which even, such notice may be given by regular mail or by telephone.
2. Any officer or member of the Board of Directors may waive any notice required to be given under these bylaws, either before or after the meeting of which notice is required to be given and may likewise waive any and all requirements herein as to the time and place of such meeting.

ARTICLE XIII

BENEFITS AND DUTIES OF WATER USERS

1. The Corporation will install, maintain and operate a main distribution pipe line or lines from the source of water supply and service lines from the main distribution pipe line or lines to the property line of each water user of the corporation at which points, designated as delivery points, meters to be purchased, installed, owned and maintained by the Corporation shall be placed. The cost of the service line from its main distribution line or lines, shall be paid by the Corporation. The Corporation will also purchase and install a cut off valve to be owned and maintained by the Corporation, which shall be installed on some point of every service line owned by the Corporation. The Corporation shall have the sole and exclusive right to use such cut-off valve to turn it on and off.

2. Each water user shall be entitled to purchase from the corporation, pursuant to such agreements as may from time to time be provided and required by the corporation, such water for domestic, commercial, agricultural, industrial or other purposes as a water user may desire, subject, however, to the provisions of these by-laws and to such rules and regulations as may be prescribed by the Board of Directors. Each water user shall be entitled to have delivered to him through a single service line only such water as may be necessary to supply the needs of such water user, including his family, business, agricultural or industrial requirements. The water delivered through each service line shall be metered and the charges for such water shall be determined separately, irrespective of the number of service lines owned by a water user.
3. In the event the total water supply shall be insufficient to meet all of the needs of the water users or in the even there is a shortage of water, the corporation may prorate the water available among the various water users on such basis as is deemed equitable by the Board of Directors, and may also prescribe a schedule of hours covering use of water for commercial, agricultural or industrial purposes by particular water users and require adherence there to or prohibit the use of water for commercial, agricultural or industrial purposes; provided that if at any time the total water supply shall be insufficient to meet all of the needs of all of the water users for domestic, livestock, commercial, agricultural or industrial purposes, the corporation must first satisfy all of the needs of all of the water users for domestic and livestock purposes before supplying any water for commercial and industrial purposes.
4. The Board of Directors shall, with the consent of the Farmers Home Administration, so long as it shall either hold or guarantee any financing of the system, determine the flat minimum monthly rate to be charged each water user for a specified quantity of water, such flat minimum monthly rate to be payable irrespective of whether any water is used by a water user during any month, and the amount of additional charges, if any, for additional water which may be supplied the water users, shall fix the date for the payment of such charges, and shall notify each water user of the amount of such charges and the dates for payment thereof. A water user to be entitled to the delivery of water shall pay such charges at the office designated by the corporation on or prior to the dates fixed by the Board of Directors. The failure to pay water charges duly imposed shall result in the automatic imposition of the following:
 - h. Nonpayment within 15 days from the due date will be subject to a penalty of 20 percent of the delinquent account***
 - i. Nonpayment within 21 days from the due date will result in the water being shut off from the water user's property.***
5. The Board of Directors shall be authorized to require each water user to enter into water users agreement which will embody the principles set forth in the foregoing sections of this article.

ARTICLE XIV

SURPLUS FUNDS

It is not anticipated that there will be any net income. If there should be any, then at the end of the fiscal year, after paying the expenses of the corporation for operation and other wise, and after setting aside reserves for depreciation on all buildings, equipment and office fixtures and such other reserves as the Board of Directors may deem proper and after providing for payment on interest and principal of obligations and amortized debts of the corporation, and after providing for the purchase of proper supplies and equipment, the net earnings shall be accumulated in a surplus fund for the purpose of replacing, enlarging, extending and repairing the system and property of the corporation and for such other purposes as the Board of Directors may determine to be for the best interest of the corporation.

ARTICLE XV

SEAL OF CORPORATION

The corporate seal shall have inscribed thereon the name of the corporation and the words: "Corporate Seal."

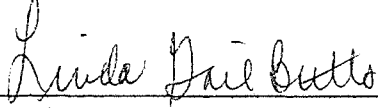
ARTICLE XVI

AMENDMENT OF BY-LAWS AND CERTIFICATE OF INCORPORATION

1. These By-laws may be altered or amended by affirmative vote of the majority of the entire membership of the Board of Directors at any regular meeting of the Board called for that purpose, except that so long as any indebtedness shall be held or guaranteed by the Farmers Home Administration, the Board of Directors shall not have the power to change the purposes of the corporation so as to decrease its rights and powers under the laws of the State or to waive any requirement of the Board or other provision for the safety and security of the property and funds of the Corporation, or so to amend the By-Laws as to effect a fundamental change in the policies of the Corporation without the prior approval of the Farmers Home Administration in writing. Written notice of any amendment to be made at a special meeting of the Board of Directors must be given at least ten days before such meeting and must set forth the amendments to be considered.
2. All amendments to the Certificate of Information shall be in accord with Section 103, Title 50, Chapter 6, of the Code of Alabama of 1940, as amended in 1970, (Section 5 of Act No 29 of the 1970 Special Session of the Alabama Legislature).

I certify that the foregoing By-Laws were duly adopted by the Board of Directors on and that the same are in full force and effect and have been amended as noted (*) below..

Given under my hand and the seal of this corporation, this 26th day of April, 2006.



Secretary

- * Revised November 5, 1997 (name change)
- ** Revised (fiscal year)
- *** Revised (penalties/shut off grace period)
- **** Revised February 20, 2002 (election of officers)
- ***** Revised July 26, 2004 (pay raise for BOD)
- ***** Revised April 26, 2006 (replaced "savings & loans" with "financial institutions")