

RURAL WATER DISTRICT NO. 2 CASS COUNTY, NEBRASKA

DEFINITIONS

The following expressions when used herein will have the meaning stated below:

BENEFIT UNIT: A right entitling the holder to one water service.

BOARD: The Board of Directors of Rural Water District No. 2, Cass County, Nebraska.

DISTRICT: Rural Water District No. 2, Cass County, Nebraska.

PARTICIPATING MEMBER: Participating Members shall be owners of land located within the District who have subscribed to one or more Benefit Units and are currently paid. A Participating Member may be an individual, firm, partnership, association, or corporation which may enter into a legally binding contract or agreement.

PERSON: See "Participating Member".

SUBSCRIBER: See "Participating Member".

WATER USER: Owner, or someone on behalf of the owner, of land located within the District who has subscribed and paid for one or more Benefit Units.

By-Laws

Article 1 - Name and Place of Business

Section 1. The name of this corporation shall be Rural Water District No. 2, Cass County, Nebraska, hereinafter referred to as the District.

Section 2. The principal office of this District will be located within the District.

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 - Purposes and Objectives

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

(a) To acquire water and water rights; to purchase and build 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 By-Laws. All facilities and the water distribution system from the water source to the property lines of the Participating Members shall be held in ownership by the District. (*Refer to Article 19,*

Section 1 of the ByLaws for the portion of the water distribution system on the property of a Participating Member that is owned by the District.)

(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 revenues 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 dispense 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 purpose 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 Nebraska.

Article 4- Water Users

Section 1. Water shall be supplied only to land located within the District. However, the Board may sell water to Persons engaged in hauling water and to any political subdivision organized under the laws of the State of Nebraska.

Section 2. No owners of land located within the District shall be eligible to become a Water Subscriber unless the owner first subscribed and paid for one or more Benefit Units. Tenants occupying land located within the District may become Water Users, 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.

Article 5 - Right to Vote

Section 1. Only Participating Members shall have the right to vote. Each Participating Member shall be entitled to a single vote, regardless of the number of Benefit Units to which the Participating Member may have subscribed. All owners of land located within the District shall be eligible to vote at meetings of landowners until Ninety (90) days after a "declaration of availability of Benefit Units and unit fees" has been entered by the Board in its minutes. There shall be no proxy voting, and no dual ownership of Benefit Units for voting purposes.

Participating Members shall be owners of land located within the District who have subscribed to one or more Benefit Units and payment of charges is current on at least one of the Benefit Units.

Article 6 - Benefit Units

Section 1. The Board shall at the proper time cause a declaration of availability of Benefit Units for subscription to be entered in its minutes and shall establish a unit price for said subscriptions. Each Benefit Unit shall carry with it the obligation of paying a minimum monthly meter charge from the time service is available. The Board in its discretion may from time to time, if the capacity of the District's facilities permit, make additional Benefit Units available. Subscriptions for Benefit Units shall be given preference and priority in the order in which they are 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, unfeasible, and place an undue burden on the District. Any landowner who feels aggrieved by such denial, or imposition of special conditions, may appeal from the action of the Board to a vote of the Participating Members of the next regular meeting of the Participating Members, or special meeting of the Participating Members called for such purpose. The decision of the Board shall stand, unless 3/4ths of all Participating Members (or landowners at meetings where only qualification to vote is ownership of land within the District) present at such meeting vote in favor of a motion to overrule the decision of the Board.

Section 2. Upon the purchase of Benefit Units, the owners of land shall designate the tract of land to which the Benefit Units shall be assigned, and the Benefit Unit shall not be transferred from one tract of land to another within the District, without the approval of the Board. The owner of 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 the owner 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 Chair 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 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. All transfers when approved shall be recorded in the Books of the District.

Section 5. Each Benefit Unit shall entitle the owner only one line from the District's water system which line shall serve only one residence or business establishment together with the necessary and usual out-buildings.

Section 6. Failure to pay the minimum monthly meter charge, or failure to pay for water used through a meter shall constitute a forfeiture of the Benefit Unit on behalf of which such failure occurs. Such Benefit Unit shall be reinstated if within three months after such failure all back charges are paid in full, plus the maximum amount of interest allowed under the usury laws of the State of Nebraska, and reasonable labor charges necessary to effect such reconnection. The Board may permit such reinstatement within six months after such failure upon payment of all back charges, plus the maximum amount of interest allowed under the usury laws of the State of Nebraska, and reasonable labor charges necessary to effect such

reconnection. If the defaulting water Subscriber is a tenant, the time set out above shall not commence to run until the Secretary of the Board of the District has mailed or caused to be mailed, by registered or certified mail notice of such default of the tenant to the landowner at his last known address as shown on the books of the District.

Article 7 - Election of Directors

Section 1. The Board of this District shall consist of seven (7) members, all of whom shall be Participating Members of the District and shall reside within the boundaries of the District. The Directors shall be elected for a term of three (3) years and shall serve until the expiration of the term for which they were elected as shown by the minutes of the District, and until their successors are elected and have qualified. All Directors shall be elected by Participating Members of the entire District; however, at least one (1) Director shall reside within each of the following named six subdistricts:

- (1) South Bend and Elmwood Precincts,
- (2) Stove Creek Precinct,
- (3) Tipton Precinct,
- (4) Greenwood and Salt Creek Precincts,
- (5) Lancaster County,
- (6) Otoe County, and, _

one (1) Director shall reside anywhere within Rural Water District #2, Cass County, Nebraska.

At each annual meeting of the Participating Members, the Participating Members shall elect for a term of three (3) 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 Chair, Vice-Chair, Secretary and Treasurer, from among themselves, each of whom shall hold office until the next annual meeting and until the election and qualification of the Directors' successor, unless sooner removed by death, resignation, or for cause.

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 or failure of any original Director to become a Participating Member within 30 days after subscriptions to Benefit Units are made available through action of the Board, shall operate to disqualify the Director 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 resign by submission of the resignation in writing to a regular or special meeting of the Directors. Any Director of the District shall forfeit their office for failure to attend three (3) consecutive regular meetings of the Directors or more than 50 per cent of the regular and special meetings duly called over any one (1) calendar year. Any Director may be removed from office for cause by a three-fourths (3/4) vote of the Participating Members of the District at any annual or special meeting called for that purpose. Such Director shall be informed in writing of the charges preferred against the Director at least 10 days before the meeting, whether regular or special, and shall have the opportunity to present witnesses and be present in person to answer the charges against the

Director. Officers and employees may be removed or discharged by the Board at its discretion.

Article 8 - The Board

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 limitations 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 services rendered.

(b) To borrow from any source money, goods, or services 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 charges to be paid by each Water User for services rendered by the District to the user, the time of payment, and the manner of collection, and to establish equal rates for farm Members and non-farm Members according to the amount of service 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, adjusting water rates, if necessary, to produce a sufficient revenue required by such budget, cause an annual audit of the District records and accounts to be made, and make a report on said matters at each annual meeting of Participating Members.

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. 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. The Manager 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 the Manager's possession; maintain records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at any time; furnish the Board a current statement of the

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 the Manager's successor all books, records, documents, and correspondence pertaining to the business of the District which may come into the Manager's possession; and, to perform such other duties as may be prescribed by the Board.

Article 10 - Duties of Officers

Section 1. Chair. The Chair, 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 the Chair 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. The Chair shall perform such other duties as may be prescribed by the Board.

Section 2. Vice-Chair. In the absence or disability of the Chair, the Vice-Chair, 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 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 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 Chair.

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 a bank designated by the Board as a depository, and pay the District's expenses, or cause them to be paid out of the depository only on the checks of the Chair, or someone authorized to sign on the Chair's behalf, countersigned by the Treasurer. At each annual meeting of the District, the Treasurer shall submit for the information of the Participating Members a complete statement of the accounts for the past year. **The Treasurer** shall discharge such other duties pertaining to the 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. The Treasurer shall present all bills at the monthly meeting of the Directors.

Section 5. Execution of Documents. Unless otherwise provided by the Board, all contracts, bonds, deeds, mortgages, leases, commercial paper and other instruments in writing, and legal documents shall be signed by the Chair and attested by the Secretary.

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 Participating Members of the District shall be held at some suitable location within the County designated by the Board, on a date each year to be set by the Board.

Section 2. Special meetings of the Participating Members may be called at any time by the Chair, or upon resolution of the Board, or upon written petition to the Chair 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 or, with respect to annual meetings, by publication in a newspaper of general circulation within the District, at least 10 days and not more than 30 days prior to the meetings. Such notice shall state the nature, time, place, and purpose of the meetings, 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 Meetings;
- (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 monthly at a time and place as indicated in the official notice in the newspaper. The Board shall hold its annual reorganizational meeting immediately following the annual meeting of Participating Members.

Article 14
Manner of Election and Votings

Section 1. At all Participating Member or landowner 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.

Article 15
Seal

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

Article 16
Fiscal Year

Section 1. The fiscal year of the District shall begin on the 1st day of January of each year and end on the 31st day of December each year.

Article 17
Amendment

Section 1. These By-Laws may be repealed or amended by a vote of the majority of Participating Members present at any regular meeting of the District, or 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 Nebraska, 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 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 the Participating Members.

Article 19
Benefits and Duties of Participating Members

Section 1. The District shall install, maintain, and operate a main distribution pipe line or lines from the source of water supply, and lines from the main distribution pipe line or lines, to the property line of each Participating Member of the District, at which point designated as delivery point, a meter and/or a curbstop is to be purchased, installed, owned, and maintained by the District.

Section 2. Each Participating Member shall be entitled to purchase from the District, pursuant to such agreement as may from time to time be provided and required by the District and the Board, such water for domestic, livestock, garden, and other purposes as a 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 Participating Members and users, or in the event there is a shortage of water, the District may pro-rate the water available among the various Participating Members and users on such basis as is deemed equitable by the Board. The Board 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 Participating Members for domestic, livestock, garden, and other purposes. The District must first satisfy all the needs of the Participating Members for domestic purposes before supplying any water for livestock purposes and must satisfy all the needs of all Participating Members for domestic and livestock purposes before supplying water for gardens or other purposes. None of the water supplied by this District shall be used for commercial irrigation and firefighting._

Article 20
Printing

Section 1. After adoption, and after adoption of any amendments or revisions, these By-Laws shall be prepared in pamphlet form, and a copy thereof shall be delivered to each Participating Member.

These By-Laws amended and revised by the Board of Directors at their regular board meeting, June 8, 2006.

Jerry Delhay, Chair

**RURAL WATER DISTRICT NO. 2
CASS COUNTY, NEBRASKA**

RULES AND REGULATIONS

These Rules are issued in compliance with Section 46-1001 to 46-1020 R.R.S., Nebraska 1943 as revised, as amended, and the Bylaws of the District and are designed to govern the supplying and taking of water service in a uniform manner for the benefit of the District and its Participating Members. They are subject to change from time to time. If a provision of the Rules conflicts with a provision of the rate schedule, the provision of the rate schedule will prevail. If any portion of these Rules shall be declared invalid by competent authority, such voidance shall not affect the validity of the remaining portions.

DEFINITIONS

The following expressions when used herein will have the meaning stated below:

APPLICANT: Any individual, firm, partnership, corporation, or other agency owning land located within the District, applying for Water Service.

APPLICATION FOR WATER SERVICE: The "Application for Water Service and Water Users' Agreement" is the agreement or contract between the Consumer and the District, pursuant to which Water Service is supplied and accepted.

BENEFIT UNIT: A right entitling the holder to one Water Service.

BOARD: The Board of Directors of Rural Water District No. 2, Cass County, Nebraska.

CONSUMER: See "Participating Member".

DISTRICT: Rural Water District No. 2, Cass County, Nebraska.

PARTICIPATING MEMBER: Participating Members shall be owners of land located within the District who have subscribed to one or more Benefit Units and are currently paid. A Participating Member may be an individual, firm, partnership, association, or corporation which may enter into a legally binding contract or agreement.

POINT OF DELIVERY: The Point of Delivery shall be at the meter, and/or the curbside, unless otherwise specified in the Application for Water Service and Water Users' Agreement.

SERVICE: The term "Service" when used in connection with the supplying of water shall mean the availability for use by the Consumers of water adequate to meet the Consumer's requirements. Service shall be considered as at the point of delivery, in readiness for the Consumer's use, regardless of whether or not the Consumer makes use of it.

WATER SERVICE: A Water Service shall consist of facilities for supplying water to one residence or business establishment located on land within the District. A landowner must purchase a Benefit Unit and accept water service for each

residence or business establishment served.

GENERAL RULES

1. SUPPLYING AND TAKING OF WATER:

The supplying and taking of water will be in conformance with these Rules and the applicable rate schedule, filed with the Nebraska Department of Health, and the Division of Water Resources. However, that such rate schedule is subject to change by action of the Board. Further, if at any time the Board of Directors determines that the total amount derived from the collection of charges is insufficient for the payment of operation cost, emergency repairs, debt service, and a reasonable reserve, the Board shall increase the minimum water rate for the first month, thereafter, in an amount sufficient to pay such operating costs, emergency repairs, debt service, and to accumulate reasonable reserves.

2. APPLICATIONS FOR WATER SERVICE:

Applicants for Water Service shall make application to the District on forms provided by the District. If the Application for Water Service is approved by the Board of Directors, the Applicant will purchase a Benefit Unit for each Water Service that is desired, and sign the standard Application for Water Service and Water Users' Agreement for an indefinite period. The cost for purchasing a Benefit Unit for each Water Service desired shall be \$300.00 per unit on all applications made prior to March 1, 1978, and an amount to be determined by the Board per unit on all applications made subsequent to March 1, 1978.

3. EASEMENT:

Before any Applicant shall be entitled to Water Service, the Applicant shall sign an easement for the water lines of the District over and across any real estate owned by the Applicant within the District, and the Applicant's spouse shall likewise sign, said easement to be on terms and conditions established by the Board.

4. WATER SERVICE IS FOR THE SOLE USE OF THE CONSUMER:

A standard Water Service connection is for the sole use of the Applicant or the Consumer, and does not permit the extension of pipes to transfer water from one property to another, nor to share, resell, or sub-meter water to any other Consumer. If a specific situation should make such an arrangement advisable, it shall be done only on specific written permission of the Board. If done in case of an emergency, it shall be done only for the duration of the emergency.

5. AGREEMENTS WITH GOVERNMENTAL AND PUBLIC BODIES: The District, through its Board, may make specific Water Service contracts with the Federal Government, the State of Nebraska, or agencies thereof, school districts, and municipal corporations, which differ from the stipulations set out in the rate schedule and Rules.

6. RIGHT OF ACCESS:

Representatives of the District shall have the right, at all reasonable hours, to enter upon Consumer's premises to test control valves and meters, inspect piping,

and to perform other duties for the proper maintenance and operation of service, or to remove its service equipment and shut off water upon discontinuance by Consumers.

7. CONTINUITY OF WATER SERVICE:

The District will make all reasonable efforts to supply continuous, uninterrupted Water Service. However, it shall have the right to interrupt Water Service for the purpose of making repairs, connections, extensions, or for other necessary work. Efforts will be made to notify Consumers who may be affected by such interruptions, but the District will not accept responsibility for losses which might occur due to such necessary interruptions.

The District will not accept responsibility for losses which might occur due to interruptions to Water Service caused by storms, strikes, floods, or other causes beyond its control.

8. CONTROL EQUIPMENT:

Meters or flow control, electronic monitoring equipment, and pressure control valves will be furnished, installed, owned, inspected, tested, and kept in proper operating condition by the District, without cost to the Consumer. A complete record of tests and histories of meters will be kept. Meter tests will be made according to methods of the American Waterworks Association by the District, as often as deemed necessary by its Board.

9. METERS OR PRESSURE CONTROL ACCURACY:

Meters, electronic monitoring equipment, and pressure control valves will be checked periodically at the direction of the Board; pressure control valves will be checked by means of a pressure gauge to assure reasonable accuracy. Water Service meters whose errors do not exceed two percent (2%) fast or slow shall be considered as being within the allowable limits of accuracy for billing purposes. The percentage of error will be considered as that arrived at by taking the average of the error at full load and that at ten percent (10%) load, unless a Consumer's rate of usage is known to be practically constant in which case the error at such constant use will be used.

10. METER OR PRESSURE CONTROL VALVE LOCATIONS:

Meter or pressure control valves will be set in meter pits at or near the Consumer's user's property line. Meters shall be set in an accessible place outside of buildings except where otherwise directed by the District. All meters shall be set horizontally and never connected into a vertical pipe. Meters set outside of a building shall be placed in a meter box furnished and installed by the District. Electronic monitoring equipment will be set above ground level at the location of the meter, or at owners' expense in the lid of the meter pit.

11. BILLS:

Consumers will remit the payment of the month's water bill not later than the 5th day of the month following the month for which the bill is due as set forth in the water rate schedule. Bills not paid by the 15th of the month shall be subject to the maximum amount of interest allowed under the usury laws of the State of Nebraska. Failure to pay a bill by the 30th day following the due date shall result in discontinuance of the Water Service. If full payment is not received after 30 days from discontinuance of Water Service, the meter will be physically removed thereby rendering the Benefit Unit inactive.

12. RECONNECTION CHARGES:

The reconnection charge for restoration of Water Service, if reconnection is authorized and approved under the provisions of the Bylaws of the District, after each suspension of Water Service because of delinquent payment or for other infraction of these Rules, shall be the unpaid amount charged to-date against the Consumer's Benefit Unit, plus lawful interest as provided under Nebraska law, and a sum to cover reasonable cost of labor necessary to make such disconnection and reconnection.

To activate an inactive Benefit Unit all back charges and fees will have to be paid as well as a reconnection fee determined by the Board.

13. REQUESTED METER, ELECTRONIC MONITORING EQUIPMENT OR PRESSURE VALVE TESTS:

Meter, electronic monitoring equipment or pressure valve tests requested by Consumers will be performed without cost to the Consumer if the meter, electronic monitoring equipment or valve is found to be in excess of 10% slow for valves or in excess of two percent (2%) fast. Otherwise the Consumer for whom the requested test was made will be charged for the cost of making the test.

14. CONSUMER'S RESPONSIBILITY:

The Consumer shall be responsible for any damage to equipment installed by the District for (the Consumer's Water Service, on account of any cause other than normal wear and tear.

15. NON-USAGE:

Non-usage of water from the system, even though the minimum payment is met, constitutes a right for the District to withdraw the Benefit Unit from the Subscriber if other users have need for additional water or if other Applicants have need for the water which is available through the capacity of the system. In the case of such non-usage, the Benefit Unit will not be withdrawn until after written notification from the Board.

16. CHANGE OF OCCUPANCY:

It shall be the Consumer's responsibility to anticipate changes of occupancy, and to have the Benefit Unit and additional water supply unit(s) transferred to the new Consumer as prescribed in the By-laws. Until the Benefit Unit is formally transferred, the original holder shall be responsible for payment for services. All charges levied against a Benefit Unit must be paid before the Benefit Unit can be transferred, or service resumed where there has been a suspension.

17. MAIN EXTENSION:

In extending a water main to serve an Applicant, the Board may at its discretion exercise one of the following options:

(a) If the cost of the extension is less than the average cost of the entire system to each Participating Member, and sufficient construction funds are available, the Board may elect to make the extension upon the Applicant's purchase of a Benefit Unit.

(b) If the cost of the extension is greater than the average cost of the entire system to each Participating Member, but funds are available to the extent of such average cost, the Board may elect to contribute to the extension in the amount of such average cost, and require the Applicant to deposit in cash the additional cost in addition to the price of a Benefit Unit. If and as additional Consumers are connected

to the extension, and as funds become available, all or part of the original Consumer's deposit may be returned to the Consumer. Any portion of the original deposit remaining after the expiration of a five-year period will become the property of the District. In no case will interest be paid on such deposits.

18. WATER SERVICES:

The District will install and pay for all Water Service pipes from its mains to the meter pit or curbstop on pressure lines. The size of Water Service lines for meters shall be established by the District's engineer. The District shall install and pay for the meter, and meter setting for pressure lines. Compensation, as determined by the Board, will be provided to landowners for damages done by the District.

19. INSUFFICIENT WATER SUPPLY:

In the event the total water supply shall be insufficient to meet all of the needs of the Participating Members and users, or in the event there is a shortage of water, the District may pro-rate the water available among the various Participating Members and users on such basis as is deemed equitable by the Board. The Board 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 Participating Members for domestic, livestock, garden, and other purposes. The District must first satisfy all the needs of the Participating Members for domestic purposes before supplying any water for livestock purposes, and must satisfy all the needs of all Participating Members for domestic and livestock purposes before supplying water for gardens or other purposes. None of the water supplied by this District shall be used for commercial irrigation and firefighting.

20. APPLICANTS HAVING EXCESSIVE REQUIREMENTS:

In the event an Applicant's water requirements are found to exceed the District's ability to supply it from existing plant without adversely affecting Water Service to other Consumers to an unreasonable extent, the District will not be obligated to render such Water Service, unless and until suitable self-liquidating financing is arranged to cover necessary investment in additional facilities.

21. CONNECTION WITH PRIVATE WATER SYSTEM:

There shall be no physical connection between a public water supply system and any of the District's pipes, pumps, hydrants, tanks, steam condensate returns, engine jackets, heat exchangers, or other water supplies whereby potentially unsafe water or contaminating materials may be discharged or drawn into the public water system. (as per Nebraska HHSS Title 179 Chapter 2, July 7, 1998, Sec. 888.02) Representatives of the District shall have the right at all reasonable hours to enter upon Consumer's premises for the purpose of inspection and enforcement of this provision. Violation of this provision shall constitute cause for disconnection of a consumer's service.

These rules amended and revised by the Board of Directors at their regular meeting on June 8, 2006.

Jerry Delhay, Chair