

**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.

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: to purchase and build pipelines 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 By-Laws 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 an income to the District, including easements and right-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 right-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 government 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 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, provide 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 order in which they are received. The Board may refuse the subscription for Benefit Unit in favor of a particular tract of land located with the District, or impose special conditions on granting the same if in the judgement of the Board, the granting of said subscription and the furnishing of the 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 land owners 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 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 the Board. The owner of the 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 unusual out-buildings.

Section 6: Failure to pay the minimum monthly meter charge, or failure to pay for water use through a meter shall constitute 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 this 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 the Participating Members of the entire District: however, at least one (1) Director shall reside with 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 Directors.

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 ($\frac{3}{4}$) vote of the Participating Members of the District at any annual or special meeting call for the 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 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 officer, 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 of 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 product 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 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 the 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 record of the proceedings of the meetings of the Board 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 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 and a depository, and pay the Districts expenses, or cause them to be paid out of the depository only on 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 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 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 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 with 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 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 monthly at a time and place 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 Voting

Section 1: At all Participating Member of landowner meetings of the District, each Participating Member, qualified as stated in these By-Laws, shall be entitled to vote upon all prepositions 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 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 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 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 a 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 and livestock purposes before supplying water for gardens or other purposes. None of the water supplies 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.