

**BY-LAWS
OF
NORTHWEST RURAL WATER DISTRICT**

*ARTICLE I
General Purpose*

The purpose for which this Water District (the “District”) is formed, and the powers which it may exercise are set forth in Chapter 61-35 of the North Dakota Century Code.

*ARTICLE II
Name and Location*

Section 1. *Name.* The name of the District is:

NORTHWEST RURAL WATER DISTRICT

Section 2. *Location.* The principal office of this District shall be located in the City of Williston, County of Williams, and State of North Dakota.

*ARTICLE III
Fiscal Year*

The fiscal year of the District shall begin the 1st day of January of each year.

*ARTICLE IV
Membership*

Section 1. *Members.* Every person, which word as used herein includes any legal entity, who is a record owner of a fee or undivided fee interest, or having a substantial possessor interest, in property served by the District may become a member of the District upon signing such applications, agreements, and documents for the purchase of water and for the installation of the pipeline(s) and connections as may be provided and required by the District and upon the payment of such connection fee as may be imposed by the Board of Directors. Such membership fee is non-refundable. Only one (1) membership at a time may be held for each property served. A single membership may be issued to all persons owning or having a substantial possessor interest in the property. Only one (1) membership may be held with respect to a property at one time. The Board of Directors shall provide that membership shall not be denied because of the applicant's race, color, creed, or national origin. Membership may be denied for any good and sufficient reason, including, but not limited to, if the capacity of the District's water system is exhausted by the needs of its existing members, if such service would not, in the discretion of the Board of Directors, be economically feasible, if the proposed use of the applicant is such that it would interfere with existing uses previously authorized by the Board of Directors, or if the prospective member, or an entity substantially related to the prospective member, has had prior infractions with the District or violated these By-Laws, agreements, or Rules and Regulations of the District.

Section 2. Non-Member Customers. A person, which word as used herein includes any legal entity, who is a record owner of a fee or undivided fee interest, or having a substantial possessor interest, in property served by the District who desires to purchase water through the District's infrastructure for industrial purposes may become a non-member customer of the District upon signing such applications, agreements, and documents for the purchase of water and for the installation of the pipeline(s) and connections as may be provided and required by the District and upon the payment of such connection fee as may be imposed by the Board of Directors. Such fee is non-refundable. The Board of Directors shall provide that the approval sought by any proposed non-member customer to purchase water through the District's infrastructure shall not be denied because of the applicant's race, color, creed, or national origin. Approval sought by any proposed non-member customer to purchase water through the District's infrastructure may be denied for any good and sufficient reason, including, but not limited to, if the capacity of the District's water system is exhausted by the needs of its potential and existing members, if such service would not, in the discretion of the Board of Directors, be economically feasible, if the proposed use of the applicant is such that it would interfere with existing uses previously authorized by the Board of Directors, or if the prospective applicant, or an entity substantially related to the prospective applicant, has had prior infractions with the District or violated these By-Laws, agreements, or Rules and Regulations of the District. A non-member customer of the District is not a member of and has no rights of membership in or with the District. In accordance with the District's Rules and Regulations, no non-member customer (or member) shall sell water from the District or from the District's infrastructure to any other individual or entity for industrial purposes. As used in this section, "industrial purposes" means such purposes related to oil and gas exploration and production activities, including but not limited to water used in fracking or maintenance.

As used in sections 1 and 2 above, "substantial possessor interest" is one where the person or persons have a legal right to control an occupancy of a property but do not have the legal or the equitable ownership of the property. It may be under a lease or similar right to possession.

1. Before membership or status as a non-member customer is allowed to one or more persons claiming a substantial possessor interest, the District will endeavor to obtain the application for membership or status as a non-member customer from the owner of such property.

2. Where membership or status as a non-member customer is granted to one or more persons having a substantial possessor interest, the District, as a condition to the membership or status as a non-member customer, may require such applicant to post such collateral or bond as the Board of Directors determines necessary to fully protect the District from any additional risk that may be involved to the District by reason of the lack of legal ownership in the applicant.

Section 3. Service Connections. Each member shall have only one membership for each property served, regardless of the number of service connections the member may obtain to serve the member's property. When more than one person holds the interest in a property served, the vote associated with a membership shall be exercised by the person in whose name the account

with the District is registered or by such person as the several persons may designate.

Section 4. *Voluntary Transfer.* Membership or status as a non-member customer shall be transferable, but the transfer will be effective only when noted on the books of the District. Such transfer will be made only to a person who obtains a qualifying interest in the property. A member or non-member customer will transfer the membership or status as a non-member customer in the District to the member's or non-member customer's successor in interest, as applicable, as part of the transaction whereby the member or non-member customer disposes of their interest to said property and by completing the appropriate application and paperwork of the District. The transfer of will only be noted upon the records of the District after approval of the transfer by the Board of Directors, which consideration by the Board of Directors is undertaken in the same way as any new membership or non-member customer application, as applicable.

Section 5. *Terminate.* When membership or status as a non-member customer in the District is not transferred, it shall terminate upon the disposition or other termination of the member's or non-member customer's, as applicable interest in the property. Membership or status as a non-member customer also may be terminated by action of the Board of Directors where the use of the property is changed so as to materially increase the amount of water consumed to the prejudice of other existing members, other non-member customers, or to the prejudice of the orderly operation of the system. The termination of the membership of any member or status as a non-member customer of any non-member customer shall not disqualify for membership or status as a non-member customer, as applicable, any other person who has or obtains an interest in the property of the terminated member or non-member customer, as applicable, and who otherwise meets the requirements of these By-Laws and the Rules and Regulations of the District.

Section 6. *Involuntary Transfer.* In the event a member's or non-member customer's property interest is divested other than by voluntary means, such member's membership or non-member customer's status as a non-member customer will pass to the trustee, receiver, executor, or the like who will be entitled either in person or through a designated representative to exercise all of the rights incidental to such membership or status as a non-member customer, as applicable, but subject to such duties and liabilities also applicable to the membership. The trustee, receiver, executor, or the like, may terminate such membership or status as a non-member customer by written notice to such effect delivered or mailed to the secretary of the District. Upon the final disposition of such property rights, the owner thereof shall be entitled to membership or status as a non-member customer in like manner as if the membership or status as a non-member customer, as applicable, had been transferred to him/her by the original member or original non-member customer as set forth in Section 4 above.

Section 7. *Delinquent Amounts for Transfer.* Upon transfer of a membership or status as a non-member customer, the District requires that all past due amounts be collected before water will be supplied at the premises. The District will seek collection from the member, the non-member customer, the individual who incurred such charges or assessments, or from the property itself if a judgment lien had been duly perfected against such property.

ARTICLE V
Meetings of Members

Section 1. Annual Meeting. The annual meeting of the members of this District shall be held on such date in the month of MARCH or APRIL and at such place in North Dakota as shall be determined by the Board of Directors, which shall be designated in the notice of the meeting, for the purpose of electing directors and transacting any business that may come before the meeting. If the election of the directors shall not be held within the time provided in these By-Laws for the annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as convenient. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the District. The Board of Directors may, from time to time in its sole discretion, determine that it is in the best interest of members to allow or require members to participate in an annual meeting by (i) telephonic or electronic media which permits members not physically present at the meeting to hear, be heard, and participate in the business brought before the members during the course of the meeting, or (ii) permit members not present to mail or deliver their ballot to the District's office, provided that their ballot is actually received by the District by 5:00 p.m. Central Time the day prior to annual meeting of the members.

A. Each member is entitled to one vote at the annual and special meeting of the District for each service hook-up to which the member is subscribed.

B. In the absence of written notice that some person has been designated to represent a member who is other than a natural person, such member may be represented by any of its principal officers. If a member who is other than a natural person is not represented by any of its principal officers, such member may designate a natural person to represent it before the member meeting, with a writing or authorization showing that the named representative has been authorized by the managing board of such member to represent it at the members meeting of the District. An individual may represent more than one such member and may also vote as an individual if the individual is a member.

C. Each member is entitled to one vote at the annual and special meeting of the District for each service hook-up to which the member is subscribed.

(1) Proxy: Each member entitled to vote at the annual or special meeting may designate in writing, signed by the member, another person who may vote on behalf of the member for each hook-up to which the member is subscribed.

(2) Proxy Limit: No person may hold or exercise a proxy for more than one member, regardless of the number of hook-ups to which the member is subscribed.

Section 2. Special Meeting. Special meetings of the members may be called at any time by the President or by action of the Board of Directors, and such meeting must be called whenever a petition requesting such meeting is signed by at least ten percent (10%) of the members and presented to the Secretary or to the Board of Directors. The purpose of every special meeting shall

be stated in the notice thereof, and no business shall be transacted there except such as is specified in the notice. This meeting may be called by telephonic, or electronic media, or by mail in voting as allowed for an annual meeting.

Section 3. *Notice of Members Meetings.* Notice of meetings of members of the District, both regular and special, shall be given by notice (i) mailed by either third, second, or first-class mail to each member of record, directed to the address shown upon the books of the District, and (ii) published in the official newspaper of the county or counties served by the District, not less than ten (10) nor more than thirty (30) days prior to such meeting. Such a notice shall state the nature, time, place, and purpose of the meeting, but no failure or irregularity of notice of any annual meeting, regularly held, shall affect any proceedings taken thereat.

Section 4. *Quorum.* Every person entitled to vote at a meeting of members, regular or special, may appear either in person, or by telephone or electronic means if so called by the Board of Directors, or by his duly authorized agent appointed by a proxy duly executed and filed with the Secretary of the District. A quorum at a members meeting shall be ten percent of the first 100 members plus five percent of additional members, who may be present in person or by proxy; provided, however, that a quorum shall never be more than twenty-five members nor less than five members. If a meeting by telephonic or electronic media format is selected, the quorum requirements for a meeting of members will be deemed met so long as at least 5 members are present in person or by telephone or electronic means, or a combination thereof. In the discretion of the Board of Directors, prior to a meeting, regular or special, of the members, a member may provide the member's vote, in writing, at the office of the District to be counted in computing a quorum only on those questions as to which the signed vote is taken. If less than a quorum is present in person, by proxy, or by telephone or electronic means at any members meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. Members represented by submitted signed paper or electronic absentee ballots may be counted in computing a quorum only on those questions, motions, or resolutions as to which an absentee vote is authorized and submitted.

Section 5. *Election of Directors.* Directors of this District shall be elected at the annual meeting of the members or as otherwise provided in Article VI, Section 1. The President may, at the President's discretion, appoint a nominating committee composed of at least one director from the Board of Directors. The nominating committee will attempt to locate individual members of the District that may be interested in serving on the Board of Directors. The use of a nominating committee does not limit the right or ability of any member to nominate himself or herself or to nominate another member as a candidate for a position on the Board of Directors, provided they otherwise qualify and comply with the requirements in these Bylaws. Each member seeking election to the Board of Directors shall present a petition containing signatures of ten (10) members. All petitions must be submitted to the secretary of the Board of Directors or nominating committee at least forty-five (45) days before the election or by the mail election deadline established under these Bylaws. Any member who submits a petition must be added to the ballot, provided they qualify to serve as a director under these Bylaws. All elections of the Board of Directors must be conducted to allow the members to access all stages of the election process, including voting and vote tabulation in a uniform and nondiscriminatory manner. Each meeting must be arranged in a manner that permits each member to plainly observe the election process.

Section 6. Order of Business. The order of business at the regular meetings and, so far as possible, at all other meetings shall be:

1. Calling to order and proof of quorum.
2. Proof of notice of meeting.
3. Reading and action on any unapproved minutes.
4. Reports of officers and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

*ARTICLE VI
Directors and Officers*

Section 1. Board of Directors. The Board of Directors of this District shall consist of seven (7) members, five (5) of whom shall be members of the District and two (2) of whom shall be nominated by BDW Water System Association (“BDW”) and confirmed by the Board of Directors of the District (the “BDW Appointees”). At each annual meeting, the members shall elect, except in the case of the BDW Appointees, for a term of three (3) years the number of directors whose terms of office have expired. The BDW Appointees shall serve a term of three (3) years, subject to re-nomination by BDW and re-confirmation by the Board of Directors of the District, but only BDW shall have the power and the right to nominate the BDW Appointees. Each director shall hold office for the term for which the director is elected and until the director’s successor shall have been elected and qualified, unless sooner removed by death, resignation, or for cause.

Section 2. Election of Officers. The Board of Directors shall meet within ten (10) days after the annual election of directors and shall elect a President and Vice President from among themselves and a Secretary and a Treasurer who need not be a member of the Board of Directors. Each of the President, Vice President, Secretary and Treasurer shall hold office until the next annual meeting and until the election and qualification of the successor, unless sooner removed by death, resignation, or for cause.

Section 3. Vacancy in Office. If the office of any director, except the BDW Appointees, becomes vacant by reason of death, resignation, retirement, disqualification or otherwise, except by removal from office, a majority of the remaining directors, though less than a quorum, shall, by a majority vote, choose a successor who shall hold office until the next annual meeting of the members of the District, at which time the members shall elect a director for the unexpired term,

provided that in the call of such annual meeting a notice of such election shall be given. If the office of either of the BDW Appointees becomes vacant by reason of death, resignation, retirement, disqualification or otherwise, except by removal from office, such office shall remain vacant until such time as BDW nominates a proposed director who is then confirmed by the Board of Directors of the District.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum at any meeting of the Board of Directors. The affirmative vote of the majority of the directors at a meeting at which a quorum is present shall be the act of the Board of Directors. A conference among the Board of Directors using any means of communication through which the Board of Directors may simultaneously hear each other during the conference constitutes a meeting of the Board of Directors, if the number of directors participating in the conference would be sufficient to constitute a quorum at a meeting. Participation in a meeting by that means constitutes presence in person at the meeting.

Section 5. Compensation. The Board of Directors and officers shall receive no salary for their services, but they may be reimbursed for reasonable expenses as set forth in the Rules and Regulations of the District.

Section 6. Removal from Office. Officers and directors may be removed from office in the following manner: Any member, officer, or director may present charges against a director or officer by filing them in writing with the Secretary of the District. If presented by a member, the charges must be accompanied by a petition signed by 10 percent (10%) of the members of the District. Such removal shall be voted on at a special meeting of the members called specifically for such purpose and shall be effective if approved by a vote of a majority of those voting if a quorum is present. The director or officer against whom such charges have been presented shall be informed, in writing, of such charges at least twenty (20) days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges against the director or officer shall have the same opportunity. If the removal of a director is approved, such action shall also vacate any other office held by the removed director in the District. A vacancy in the Board of Directors thus created shall immediately be filled by a vote of a majority of the members of the Board of Directors present and voting at such meeting. The Board of Directors shall fill a vacancy in any office thus created from among their number so constituted after the vacancy in the Board of Directors has been filled. For the purposes of this paragraph, the use of signed votes, proxies, is expressly prohibited.

No person shall be eligible to become or remain a director of the District who:

- (a) is not a member of the District or, in the case of the BDW Appointees, a member of BDW
- (b) is not presently residing in (i) Williams County, North Dakota, Divide County, North Dakota, or in the area served by the District, or (ii) in the case of the BDW Appointees, in Burke County or Divide County, North Dakota or in the area served by BDW

- (1) as it relates to (b) above, absence from Williams County, Divide County, Burke County, or the area served by the District or BDW, as applicable, for 120 days or less during the last 12 month period shall not be construed as a loss of residency.
- (c) has not attended 2/3rds or more meetings during the last 12 month period.
- (d) is in any way employed by or financially interested in
 - (1) a competing enterprise of the District,
 - (2) a business engaged in selling water services or supplies, other than a business operating on a cooperative non-profit basis for the propose of furthering water usage, or
 - (3) a business constructing or maintaining water facilities, other than a business operating on a cooperative non-profit basis for the propose of furthering water usage.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, that office shall be deemed vacant immediately.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

*ARTICLE VII
Meetings of Board*

Section 1. *Regular Meetings.* A regular meeting of the Board of Directors shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place within one of the counties served by the District as designated by the Board of Directors. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

Section 2. *Special Meetings.* Special meetings of the Board of Directors may be called by the President or by any two directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or directors calling the meeting shall fix the time and place for the holding of the meeting.

Section 3. *Notice of Board Meetings.* Written notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each director either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President, or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at the director's address as it appears on the records of the District, with postage thereon prepaid, at least five days before the date set for the meeting.

Section 4. *Quorum.* A majority of the Board of Directors shall constitute a quorum, provided, that if less than such majority of the Board of Directors is present at said meeting, a majority of the Board of Directors then present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of a majority of the Board of Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise provided in these By-Laws.

Section 5. *Waiver of Notice.* Any director may waive in writing any notice of a meeting required to be given by these By-Laws. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting by such director, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

ARTICLE VIII Powers of Directors

Section 1. *Powers.* The Board of Directors, subject to restrictions of law, and these By-Laws, shall exercise all of the powers of the District that are allowed by Chapter 61-35 of the North Dakota Century Code, or any subsequent amendments thereto, 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 in respect to the matters as hereinafter set forth to be exercised by resolution duly adopted by the Board of Directors:

- A. To approve membership applications and cause to be issued appropriate certificates of membership. The Board of Directors may make binding commitments to issue membership certificates and to permit the connection of properties to the system in the future in cases involving proposed construction or may issue with certificates prior to the commencement of the proposed construction.
- B. To select and appoint all officers, agents, or employees of the District, remove such agents or employees of the District, prescribe such duties and designate such powers as may not be inconsistent with these By-Laws, fix their compensation and pay for faithful services.
- C. To borrow from any source, money, goods, or services and to make and issue notes and other negotiable or nonnegotiable instruments evidencing indebtedness of the District; to make and issue mortgages, deeds of trust, pledges of revenue, trust agreements, security agreements and financing statements, and other instruments evidencing a security interest in the assets of the District; and to do every act and thing necessary to effectuate the same.
- D. To prescribe, adopt, and amend from time to time such equitable uniform rules and regulations as, in the discretion of the Board of Directors, may be deemed essential or convenient for the conduct of the business and affairs of the District and the guidance and control of its officers and employees, and to prescribe adequate

penalties for the breach thereof.

- E. To order, at least once each year, an audit of the books and accounts of the District by a competent public auditor or accountant. The report prepared by such auditor or accountant shall be submitted to the members of the District at their annual meeting, together with a proposed budget for the ensuing year. Copies of such audits and budgets shall be submitted to such parties as may be required by other agreements.
- F. To fix and alter the charges to be paid by each member for services rendered by the District to the member, including connection fees, where such are deemed to be necessary by the Board of Directors, and to fix and alter the method of billing, time of payment, manner of connection, and penalties for late or nonpayment of the same. The Board of Directors may establish reasonable classification of business done, according to the type or nature thereof, for the purpose of regulating rates and charges for water service to members. All charges shall be uniform and non-discriminating within each class.
- G. To require all officers, agents, and employees charged with responsibility for the custody of any of the funds of the District to give adequate bonds, the cost thereof to be paid by the District, and it shall be mandatory upon the Board of Directors to so require.
- H. 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 and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.
- I. To levy assessments against the members of the District in such manner and upon such proportionate basis as the Board of Directors deem equitable, and to enforce collection of such assessments by the suspension or termination of water service or other legal methods.

ARTICLE IX
Duties of Officers

Section 1. Duties of President. The President shall preside over all meetings of the District and the Board of Directors, call special meetings of the Board of Directors, perform all acts and duties usually performed by an executive and presiding officer, and sign all papers of the District as the President may be authorized or directed to sign by the Board of Directors, provided the Board of Directors may authorize any person to sign any or all checks, contracts, and other instruments in writing on behalf of the District. The President shall perform such other duties as may be prescribed by the Board of Directors.

Section 2. Duties of the Vice-President. In the absence or disability of the President, the Vice-President shall perform the duties of the President; provided, however, that in case of death, resignation, or disability of the President, the Board of Directors may declare the office vacant and elect a successor.

Section 3. Duties of the Secretary. The Secretary or appointed assistant shall keep a complete record of all meetings of the District and of the Board of Directors and shall have general charge and supervision of the books and records of the District. The Secretary shall attest the President's signature on all papers pertaining to the District, unless otherwise directed by the Board of Directors. The Secretary shall serve, mail or deliver all notices required by law and these By-Laws and shall make a full report of all matters and business pertaining to the Secretary's office to members at the annual meeting or at such other time or times as the Board of Directors may require. The Secretary shall keep membership records of the District. The Secretary shall keep a proper membership record, showing the name of each member of the District and date of issuance, surrender, transfer, termination, cancellation, or forfeiture. The Secretary shall, together with the Treasurer, make all reports required by law and shall perform such other duties as may be required of the Secretary by the District or the Board of Directors. Upon the election of a successor, the Secretary shall turn over to the successor all books and other property belonging to the District that the Secretary may possess.

Section 4. Duties of the Treasurer. The Treasurer or appointed assistant shall keep a complete and accurate record of all finances of the District and of the Board of Directors and shall have general charge and supervision of the financial books and records of the District. The Treasurer shall endorse and deposit all money, drafts and checks in the name of and to the credit of the District in the banks and depositories designated by the Board. The Treasurer shall disburse District funds and issue checks and drafts in the name of the District, as ordered by the Board. The Treasurer shall provide the Board, whenever requested, a complete and accurate account of all transactions of the Treasurer's office and of the financial condition of the District. The Treasurer shall also perform such duties with respect to the finances of the District as may be prescribed by the Board of Directors.

ARTICLE X
Benefits and Duties of Members

Section 1. Responsibility of District. The District will install, maintain, and operate a main distribution pipeline(s) from the source of the District's water supply. Once installed by the member, the District shall maintain and repair service pipeline(s) from the main distribution pipeline(s) to a point on the property of each member where the curbstop is installed, which point shall be determined by the District, pursuant to uniform and non-discriminatory policies. The District also may purchase and install a cutoff valve in each service line from its main distribution line or lines, such cutoff valve to be owned and maintained by the District and to be installed on some portion of the service line owned by the District. The District shall have the sole and exclusive right to the use of such cutoff valve.

Section 2. Responsibility of Member. Each member will be required, at the member's expense, to excavate, connect, and install the service pipeline(s) from the District's main distribution pipeline(s) to a point on the property of each member where the curbstop is installed. Each member will also be required at the member's own expense for the excavation, connection, and installation of the service pipeline(s) from the curbstop on the member's property to the member's dwelling or other place of use. The member will maintain the service pipeline(s) from the curbstop to the place of use, which shall be owned by the member and be maintained at the member's own expense. In addition, each member shall pay such connection charge, if any, as imposed by the Board of Directors before such member will be entitled to receive water from the system. A meter assembly shall be installed and maintained by the member in accordance with these By-Laws and the Rules and Regulations of the District. The points of installation of meters shall be determined by the District and in accordance with the Rules and Regulations of the District.

Section 3. Additional Service Pipelines. Each member may be permitted to have additional service pipelines from the District's water system in the discretion of the Board of Directors upon proper application therefor and the tender of payment not to exceed the existing connection charge. The approval by the Board of Directors of additional service pipelines to an existing member may be made conditional upon such provisions as the Board of Directors determines necessary to protect the interests of other members and to allow for the orderly expansion and extension of the system to serve other property that may need service along the distribution lines of the system. Each service pipeline shall connect with the District's water system at the nearest available place to the place of desired use by the member if the District's water system has sufficient capacity to permit the delivery of water through a service line at that point without interfering with the delivery of water through a prior service pipeline. If the District's water system is inadequate to permit the delivery of water through a service pipeline installed at such place without interfering with the delivery of water through a prior service pipeline, then such service pipeline shall be installed at such place designated by the District.

Section 4. Water Quantity. Each member may be permitted to purchase from the District, pursuant to such agreement as may from time to time be provided and required by the District, such water as is needed by the member for domestic, commercial, agricultural, industrial or other purposes as a member may desire, subject however, to the provisions of these By-Laws and to and the Rules and Regulations as may be prescribed by the Board of Directors. Each member shall be entitled to have delivered to them through their service pipelines only such water as may be necessary to supply the needs of each member, including their families, business, agricultural, or industrial requirements. The water delivered through each service pipeline may be metered separately, and the charges for such water may be determined separately, irrespective of the number of service pipelines owner by the member. The District will not provide, and does not warrant or guarantee, sufficient quantity of water to meet any member's fire-fighting needs.

Section 5. Proration of Water. In the event the total water supply shall be insufficient to meet all of the needs of the members or in the event there is a shortage of water, the District may prorate the water available among the various members 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 members and require adherence thereto 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 members for domestic, livestock, commercial, agricultural, or industrial purposes, the District must first satisfy all of the reasonable needs of the members for domestic purposes before supplying any water for livestock purposes and must satisfy all of the needs of all of the members for domestic and livestock purposes before supplying any water for commercial or industrial purposes; and provided further that where a member has more than one service pipeline, the District may cut off the flow of water to the nondomestic service pipelines until such time as the supply of water from the system is sufficient to meet the needs of all of the members for domestic, livestock, and garden purposes. During such periods of cutoff of additional service lines there shall be no minimum fee charged to the members having such additional service lines and the cost, if any, of resuming the flow of water to such additional service lines shall be borne by the District.

Section 6. Determination of Rates and Charges. The Board of Directors shall, prior to the beginning of each calendar year, determine the flat minimum monthly rate to be charged each member during the following calendar year for a specified quantity of water, such flat minimum monthly rate to be payable irrespective of whether any water is used by a member during any month, the amount of additional charges, if any, for additional water which may be supplied the members, and the amount of penalty for late payments, and shall fix the date for the payment of such charges. A member to be entitled to the delivery of water shall pay such charges at the office designated by the District at or prior to the dates fixed by the Board of Directors. The failure to pay water charges duly imposed may result in the imposition of penalties on the member, without prior notice to the member, with such penalties as set forth in the Rules and Regulations of the District. If the member's account is shut off due to non-payment or violation of these By-Laws or the Rules and Regulations of the District, the member shall have no right to vote in the affairs of the District until the water is again provided to such member.

Section 7. Water User Agreement. The Board of Directors shall be authorized to require each member to enter into water users agreements which shall embody the principles set forth in the foregoing provisions of these By-Laws.

Section 8. Illegal Hookup. Any illegal hookup, which is a hookup in violation of the Rules and Regulations, the By-laws of the District or the Water Users Agreement, or theft of water by a member may, in the sole discretion of the Board of Directors, result in an assessment, not to exceed Fifteen Thousand and No/00 dollars (\$15,000.00) and in the sole discretion of the Board of Directions cancellation of the membership and hookup of the member determined or found by the Board of Directors to have made or authorized the same. If the membership of such member is cancelled by the Board of Directors, a new application for a membership and a hookup may be then filed by the former member with payment of a new membership fee.

*ARTICLE XI
Distribution of Surplus Funds*

Section 1. *Use of Surplus Funds.* It is not anticipated that there will be any surplus funds to the District at the end of the fiscal year after provisions are made for the payment of the expenses of operation and maintenance and the funding of the various reserves for depreciation, debt-retirement and other purposes, including those required by the terms of any borrowing transaction. In the event that there should exist such surplus funds or net income, they may be placed in an existing or new reserve account to be used for the early retirement of any outstanding indebtedness or be used for the improvement and/or extension of the corporate facilities as the Board of Directors may determine to be in the best interest of the District and to the extent not otherwise provided for by any contractual arrangement. The occurrence in subsequent fiscal years of surplus funds or net income above the requirements of the District as above mentioned, including, if any, a reserve for improvements and extension of the facilities shall be taken into consideration by the Board of Directors in determining the water rates to be charged the members.

*ARTICLE XII
Amendments*

Section 1. *Amendments.* These By-Laws may be repealed or amended by a vote of a majority of the members present at any regular meeting of the District, or at any special meeting of the District called for that purpose, except that so long as any indebtedness is held or guaranteed by the USDA Rural Development, the members shall not have the power to change the purposes of the District so as to decrease its rights and powers under the laws of the State, 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 members, or so to amend the By-Laws as to effect a fundamental change in the policies of the District without the prior approval of the USDA Rural Development in writing.

*ARTICLE XIII
Governing Procedures*

Section 1. In all proceedings of the District, its Board of Directors, or any other committee as the District may create from time to time, the most recent edition of Robert's Rules of Order applies, except to the extent that the same may be inconsistent with any of the provisions of the these By-Laws or the provisions of Chapter 61-35 of the North Dakota Century Code, as amended.

(Adopted by the members: April 21, 2026)