

BYLAWS
OF
HIDDEN VALLEY ADDITION WATER ASSOCIATION, INC.

ARTICLE I

The principal place of business of this Association shall be Rathdrum, Idaho (mailing address: P.O. Box 94, Rathdrum, Idaho 83858). The Association may, however, maintain offices and places of business at such other places within the State of Idaho as the Board of Directors may determine.

ARTICLE II

The corporate seal of the corporation shall consist of two concentric circles between which shall be the name of the corporation, and in the center of which shall be inscribed the year of its incorporation and the words "Corporate Seal, State of Idaho".

ARTICLE III

The fiscal year of the Association shall begin the first day of January of each year.

ARTICLE IV

Section 1: The Board of Directors shall determine who shall be eligible to become members and whether or not it is reasonably economical and feasible to supply water to the property of the proposed member. Upon approval by the Board of Directors, the owner of each parcel of real property to be served shall become a member of the Association. A membership shall entitle the owner of the parcel of real property to the right to receive domestic water from the Association. The membership shall become appurtenant to and run with said parcel of real property and shall not be assignable otherwise.

Section 2: No membership shall be transferred separate from the parcel of land to which it is appurtenant. When a member sells or disposes of any parcel of real property served by the Association, his membership for said parcel of real property shall cease and shall be automatically transferred to the person becoming the owner of the parcel of real property to be used only as herein and in the Articles of Incorporation provided. Such a transfer of membership shall not, however, be binding upon the Association until all monies owed to the Association by the transferring member have been paid in full, and until such payment, the outstanding

indebtedness shall be a lien upon the membership and the real property appurtenant thereto.

Section 3: The Secretary shall keep a record of the change of title for all parcels of real property for which a membership has been issued. So far as possible and upon the sale or conveyance in any manner of a member's parcel of real property, the Secretary shall make the appropriate entry in the records of the Association to reflect the identity and address of the new member.

Section 4: No refund of any kind shall be made to any member when his membership ceases for any cause.

ARTICLE V

Section 1: The annual meeting of the members of this Association shall be held at the office of the corporation at Rathdrum, Kootenai County, state of Idaho, at 7:30 o'clock, P.M. on the second Tuesday of September of each year, if not a legal holiday, or, if a legal holiday, on the next business day following. The Board may, by resolution passed and included in the notice of election, designate another place for holding any meeting.

Section 2: Special meetings of the members of the Association may be called at any time by the President or upon resolution of the Board of Directors, or upon written petition to the President of the Board, signed by twenty-five percent (25%) of the members of the Association. 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 members of the Association shall be given by a notice sent by first class mail to each member of record, directed to the address shown upon the books of the Association at least ten (10) days prior to the meeting. Such notice shall state the nature, time, place, and purpose of the meeting, but no failure or irregularity of notice of any annual meeting regularly held shall affect any proceedings taken thereat.

Section 4: Ten percent (10%) of the memberships represented in person or represented by proxy at any meeting of the members shall constitute a quorum. Each member of the Association shall be entitled to one vote for each membership held by such member, and may vote in person or by proxy.

Section 5: Directors of this Association shall be elected at the annual meeting of the members.

Section 6: 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

Section 1: The Board of Directors of this Association shall consist of five members, all of whom shall be members of the Association. The members shall meet as soon as possible and elect Directors from among their number to serve until the first annual meeting of the members and until their successors are elected and have qualified. At the first annual meeting of the members; two (2) Directors shall be elected for term of one (1) year and three (3) Directors for a term of two (2) years. At each annual meeting thereafter the members shall elect for a term of two (2) years the number of Directors whose terms of office have expired.

Section 2: The Board of Directors shall meet within ten (10) days after the first election and within ten (10) days after the annual election of Directors and shall elect by ballot a President and Vice-President from among themselves and a Secretary and a Treasurer, each of whom shall hold office until the next annual meeting and until the election and qualification of his successor unless sooner removed by death, resignation or for cause.

Section 3: Any vacancy in the Board of Directors, other than from the expiration of a term of office, shall be filled by election by the remaining members of the Board until the next regular or special meeting of the members of the Association, at which meeting a Director shall be elected for the unexpired term. The disqualification of a Director as a member of the Association shall operate to disqualify him as a Director and to create a vacancy in the office of directors.

Section 4: The President of the Association or two (2) of the Directors may call and give notice of a meeting of the Board of Directors. A special meeting of the Board shall be preceded by at least two (2) days' notice to each Director of the date, time, and place of the Meeting. The notice need only state the purpose of meeting if a purpose of the meeting is to remove an officer of the Association, in which event such proposed action shall be given in the notice.

Section 5: A majority of the Board of Directors shall constitute a quorum at any meeting of the Board.

Section 6: Reimbursement of expenses incurred by Directors may be made at any regular or special meeting of the members of the Association. Directors shall receive no compensation for their services as such, provided, however, by a majority vote of the Board of Directors, a director may be retained and compensated to

provide other services to the Association.

Section 7: The members by a majority vote may remove one or more directors without cause, provided that the notice of meeting at which the Director is removed states that the purpose, or one of the purposes, of the meeting is removal of the Director.

ARTICLE VII

DUTIES OF DIRECTORS

Section 1: The Board of Directors, subject to restrictions of law, the Articles of Incorporation, or these Bylaws, shall exercise all of the powers of the Association, and without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board of Directors shall have, and are hereby given, full power and authority (to be exercised by resolution adopted by a majority vote of all Directors) in respect to the matters and as hereinafter set forth:

- A. To pass upon the qualifications of members.
- B. To select and appoint all officers, agents or employees of the Association or remove such officers, agents, or employees of the Association, prescribe such duties and designate such powers as may not be inconsistent with these Bylaws, fix their compensation and pay for faithful services.
- C. To borrow from any sources, money, goods or services, and to make and issue notes and other negotiable and transferrable instruments, mortgages, deeds of trust and trust agreements, 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 regulation as, in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the Association and the guidance and control of its officers and employees, and to prescribe adequate penalties for the breach thereof.
- E. To order at least each year, an audit of the books and accounts of the Association by a competent accountant. The report prepared by such accountant shall be submitted to the members of the Association at their annual meeting.
- F. To fix the charges to be paid by each member for services rendered by the Association to him, the time of payment, and the manner of collection.

- G. To require all officers, agents and employees charged with responsibility for the custody of any of the funds of the Association to give adequate bonds, to the extent the Board of Directors deems necessary or advisable, the costs thereof to be paid by the Association.
- H. To select one or more banks to act as depositories of the funds of the Association and to determine the manner of receiving, depositing and disbursing the funds of the Association 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 Association and to enforce the collection of such assessments by the cancellation of membership, and to provide for the collection for all water delivered to, or to be delivered, at such rate and on such basis as they deem proper, but always sufficient to pay all operating, maintaining expenses, reserve to pay indebtedness, interest and a reasonable sum as surplus fund, and to enforce the rule by refusing to furnish water or by other proper means.
- J. To hire or retain as independent contractors, one or more certified operators for the purpose of direct supervision of the drinking water system, including any treatment facility and/or the water distribution system all as may be required by law or regulation. The terms of employment and compensation of operators shall be set by the board of directors.

ARTICLE VIII

DUTIES OF OFFICERS

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

Section 3: Duties of the Secretary. The Secretary shall keep a complete record of all meetings of the Association and of the Board of Directors and shall have general charge and supervision of the books and records of the Association. The Secretary shall sign all papers pertaining to the Association as the Secretary may be authorized or directed to do so by the Board of Directors. The Secretary shall keep the corporate seal and affix said corporate seal to all papers requiring seal. The Secretary shall keep a proper record concerning all memberships, showing the name of each member of the Association, and date of membership, surrender, cancellation, or forfeiture. The Secretary shall make all reports required by law and shall perform such other duties as may be required of him by the Association, or the Board of Directors. Upon the election of his or her successor, the Secretary shall turn over all books and other property belonging to the Association that the Secretary may have in his or her possession.

Section 4: Duties of the Treasurer. The Treasurer shall perform such duties with respect to the finances of the Association as may be prescribed by the Board of Directors. Upon the election of his or her successor, the Treasurer shall turn over all records and other property of the Association that he or she may have in his or her possession. The office of Treasurer and Secretary may be held by the same person.

Section 5: The Board of Directors may remove any officer at any time with or without cause.

ARTICLE IX

BENEFITS AND DUTIES OF MEMBERS

Section 1: The Association will install, maintain and operate a main distribution pipe line or lines from the source of the water supply and service lines from the main distribution pipe line, or lines to the property line of each member of the Association, at which points designated as delivery points, meters to be purchased, installed, owned and maintained by the Association shall be placed. The cost of the service line, or lines, from the main distribution pipe line, or lines, of the Association to the property line of each member shall be paid by the Association, however, the obligation of the Association to provide such service lines and meters shall not extend beyond a dedicated road or such public access as shall be determined by the Board of Directors. The Association will also purchase and install a cut-off valve to be owned and maintained by the Association and to be installed on some portion of the service line owned by the Association. The Association shall have the sole and exclusive right to use such cut-off valve and to turn it on and off.

Section 2: Each member shall be entitled to one only from the Association's water system to each parcel of real property owned by said member and the member shall be required to pay a fee as may be determined reasonable by the Board of Directors.

Water service to sub-divided parcels of real property shall be at the discretion of the Board of Directors.

No new service line or change in an existing service line may be made which will interfere with an existing service line or the delivery of water therein, provided such existing service line or delivery therein meets with such State and local requirements and Association Bylaws as are deemed applicable by the Board of Directors. Each service line shall connect with the Association's water system at the nearest available place to the place of desired use by the member if the Association's water system shall be of sufficient capacity to permit the delivery of water through a service line at that place within the district without interfering with the delivery of water through a prior service line. If the Association's shall be inadequate to permit the delivery of water through a service line installed at such place without interfering with the delivery of water through a prior service line, then such service line shall be installed at such place as may be designated by the Association. Each member will be required to dig, or have dug, a ditch for the connection of the service line or lines from the property line of the member to his dwelling or other portion of his premises and will also be required to purchase and install the portion of the line, or lines, from his property line to the place of use on his premises and to maintain such portion of such service line, or lines, which shall be owned by the member, at his own expense, in good condition, provided that the Association may, if the Board of Directors so determine, purchase the pipe for and install such portion of such service line, or lines, the cost of which will, however, be paid by the individual members. The size of water line installed and maintained by a member shall be not greater than one inch (1") in diameter. When a member modifies, replaces, or repairs the water line owned by the member, the member shall notify the Board of Directors as soon as is reasonably possible, and such modification, replacement, or repair shall be subject to an inspection by the Board, its officers, agents or employees, and no modification, replacement, or repair shall be covered until such inspection has been completed and the repair, replacement or modification approved. All new connections are subject to the member supplying an accurate map of the location of the lines to the Association, and all modifications, replacements, and repairs shall likewise be accurately mapped by the member and a copy of the map provided to the Association. The Board of Directors shall make all proper rules to carry the provisions of this Section 2 into effect.

Section 3: Each member shall be entitled to purchase from the Association, pursuant to such agreements as may from time to time be provided, and required by the Association, such water for domestic purposes, including livestock, as a member may desire,

subject, however, to the provisions of these Bylaws and to such rules and regulations as may be prescribed by the Board of Directors. Each member shall be entitled to have delivered to him, such water as may be necessary for domestic water purposes. The water delivered through each service line shall be metered and the charges for such water shall be determined separately, irrespective of the number of service lines owned by a member.

Section 4: In the event the total water shall be insufficient to meet all of the needs of the members or in the event there is a shortage of water, the Association 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 garden purposes by particular members and shall require adherence thereto, or prohibit the use of water for sprinkling or garden 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, sprinkling and garden purposes, the Association must first satisfy all of the needs of all of the members for domestic purposes before supplying any water for livestock purposes and must satisfy all of the needs for all of the members for both domestic and livestock purposes before supplying water for sprinkling or garden purposes.

Section 5: 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 or such other basis as may be fixed, such flat minimum monthly rate to be payable irrespective of whether any water is used by a member during any month, and the amount of additional charges, if any, for additional water which may be supplied the members, shall fix the date for the payment of such charges, and shall notify each member of the amount of such charges and the dates for payment thereof. A member to be entitled to the delivery of water shall pay such charges at the office of the Association at or prior to the dates fixed by the Board of Directors. The failure to pay water charges duly imposed shall result in the automatic imposition of the following penalties.

- A. Non-payment for sixty (60) days after due: The water shall be cut off from the delinquent member's property.
- B. Non-payment for ninety (90) days: A "shut-off" and "turn-on" fee of \$50.00 each together with accumulated water charges must be paid before said member is again entitled to water services and benefits.
- C. The Directors shall pass any reasonable rule to carry these provisions into effect.

Section 6: Any trailer or mobile home, moving onto property serviced with water by the Hidden Valley Addition Water

Association, Inc., system shall be considered a permanent residence after thirty (30) days, unless the owner makes application to the water board for a six (6) month extension of time. Once a trailer or mobile home has been designated a permanent residence, it shall require a separate meter, and payment of regular hook-up fees.

Anyone continuing to furnish water to such trailer or mobile home from another meter, this meter shall be disconnected from the Hidden Valley Addition Water Association system, with the appropriate fees applying.

The disconnect will remain in effect until the situation is resolved to the water board's satisfaction.

Section 7: The Association is subject to certain laws and regulations, including the Idaho Rules for Public Drinking Water Systems. The Members, when requested to do so by the Association, shall assist the Association in complying with all applicable federal, state and local laws and regulations regarding the water system, including granting access to the member's real property for any inspections required by law. Included within this requirement is IDAPA 58.01.08.550 regarding design standards for public drinking water systems, and IDAPA 58.01.08.550.07 which requires all suppliers of water for community water systems to implement a cross connection control program to prevent the entrance of toxic or hazardous substances into the system. The control program requires an inspection not less than once a year of all facilities, including water distribution lines, and that the required installation and operation of back flow prevention devices and valves are in place. In connection therewith, each member shall allow the Association, its authorized officers, agents and designees, access to make inspections on the member's real property, including sprinkler systems, irrigation systems, water troughs, and other facilities and devices for the use of water, to insure the appropriate back flow prevention device is in existence and operational. Each member consents to the discontinuance of service of any facility where suitable back flow protection has not been provided as required by law. Each member shall bring the water distribution system on their real property into compliance with all applicable laws and regulations at the expense of the member.

ARTICLE X

DISTRIBUTION OF SURPLUS FUNDS

Section 1: It is not anticipated that there will be any net income. If there should be any, then at the end of the fiscal year, after paying the expenses of the Association for operation and otherwise and after setting aside reserves for depreciation on all buildings, equipment and office fixtures and such other reserves as the Board of Directors may deem proper and after providing for payments on interest and principal of obligations and

amortized debts of the Association, and after providing for the purchase of proper supplies and equipment, placing, enlarging, extending and repairing the system and property of the Association and for such other purposes as the Board of Directors may determine to be for the best interest of the Association. Should any net earnings remain, it shall be used to reduce each member's water charge thereafter until all such surplus is exhausted.

ARTICLE XI

AMENDMENTS

Section 1: These Bylaws may be repealed or amended by a vote of two-thirds of the members present at any regular meeting of the Association, or at any special meeting of the Association, called for that purpose, except that the members shall not have the power to change the purposes of the Association so as to decrease its rights and powers under the laws of the State, or to waive any requirement, of bond or other provisions for the safety and security of the property and funds of the Association, or to deprive any member of rights and privileges then existing, or so to amend the Bylaws as to effect a fundamental change in the policies of the Association. Notice of any amendment to be made at a special meeting of the members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered.

ARTICLE XII

INDEMNIFICATION

The Association shall have the power to indemnify as provided by law, including indemnification of any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Association. A person, including a Director, officer, employee or agent of the Association may be indemnified against all expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if the person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interest of the Association and, with respect to any criminal action or proceeding, if such person had no reasonable cause to believe his or her conduct was unlawful.

The foregoing provisions shall not exclude any other right to which a person may be lawfully entitled to indemnification, and the Association shall have the right to indemnify or reimburse a person in any proper case, even though not specifically provided for herein. The Association, its Directors, officers, employees and agents shall be fully protected in taking any action or making any payment under this section, or in refusing so to do, in reliance

upon the advice of legal counsel.

The determination of whether or not to indemnify, unless ordered by a court, shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because such person has met the applicable standards of conduct as set forth herein and as provided by law in the Idaho Nonprofit Corporation Act. Such determination shall be made:

- (a) by the Board of Directors by a majority vote of a quorum consisting of Directors who are not parties to such action, suit or proceedings; or
- (b) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion; or
- (c) by the members.