

BYLAWS

HAUSER LAKE WATER ASSOCIATION

Article I.

Purpose and Plan

Section 1.01 The name of this Association is: HAUSER LAKE WATER ASSOCIATION, INC. The principal place of business of this Association shall be at Hauser Lake, Kootenai County, State of Idaho, but the Association may maintain an office and places of business at such other places within the State of Idaho as the Board of Directors may determine.

Section 1.02 The purposes for which this Association is formed, and the powers which it may exercise, are set forth in the Articles of Incorporation of this Association

Section 1.03 The provisions of these Bylaws are applicable to the Association, which has been established according to the Title 30, Chapter 3, Idaho Code, and which is governed by Idaho Nonprofit Corporation Act specifically, and by other provisions of Idaho Code as may be applicable (all sections of the Idaho Code being referred to herein collectively as the "Code"). The Association was established to operate, manage, repair, maintain, replace, and otherwise administer the water supply and distribution system owned by the Association.

Article II.

MEMBERSHIP

Section 2.01 The Board of Directors shall determine who shall be eligible to become members and whether or not it is reasonable, economical, and feasible to supply water to the lot of the proposed member; provided, however, the Board of Directors shall not consider race, color, sex, handicap, familial status, or national origin to determine eligibility of membership. One (1) membership shall be issued for each lot served. Each membership shall include the right for domestic water service to the lot for which it is issued and the membership shall become appurtenant to and run with said lot and shall not be assignable.

Section 2.02 No membership shall be transferred separate from a lot. When a member sells or disposes of any lot served by the Association, the membership shall automatically transfer to the owner of the lot.

Section 2.03 The Association shall keep a record of the change of ownership for all lots served by the Association. Upon the sale or conveyance of a member's lot, the Association shall change the membership to the person or persons to whom the property is conveyed.

Section 2.04 No member shall be entitled to a refund of any kind membership in the Association ceases.

Article III.

Water Service

Section 3.01 Main Distribution Line. 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 enable service to the property of each member of the Association. The water shall be delivered to each member at a designated delivery point. The designated delivery point (the point where the Association maintained service line meets the private member maintained water line) for delivery of water for each lot served by the Association shall be determined by the Association. At the delivery point, the Association shall install a water meter. Such water meter shall be owned and maintained by the Association.

Section 3.02 Service Lines. The cost of the service line, or lines, from the main distribution pipe line or lines of the Association to the designated delivery point for each member shall be paid by the Association. Each member shall be responsible for the installation and maintenance of the service line or lines from the designated delivery point to the place of use. No new service line or change in an existing service line may be made which will interfere with an existing service line of delivery of water therein. Each service line shall connect with the Association's water system as close as possible to the place of use as determined by the Board of Directors.

Section 3.03 Cut-Off Valve. The Association will purchase and install a cut-off valve to be owned and maintained by the Association. This cut-off valve will 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 3.04 Hook-Up to System. Each member shall be entitled to one (1) service connection (i.e., hook-up) from the Associations' water system per lot owned by said member, and the member shall be required to pay a CAP Fee determined by the Board of Directors. In addition each new connection shall be charged for cost of materials and labor to make the actual physical connection to the system (connection to main line, pipe, fittings, boring if needed, etc.)

Section 3.05 Shortage of Water. In the event the water is insufficient to meet the needs of the members of the Association, the Board of Directors may prorate the water available among the various members on such a basis deemed equitable by the Board of Directors. Provided,

however, the Board of Directors shall satisfy the domestic and livestock water needs of all members prior to allowing any water to be used for garden or sprinkler purposes. The Board of Directors may prescribe a schedule of hours when members shall be entitled to use water for garden or sprinkler purposes or prohibit the use of water for garden and sprinkler purposes.

Section 3.06 Payment of Fees by Members. Each member shall pay all fees charged by the Association. The failure to pay such charges at or prior to the dates fixed by the Board of Directors may result in the termination of service, imposition of late fees and/or imposition of fees for reconnection as determined by the Board of Directors.

Section 3.07 Additional Residences. One (1) service connection (i.e., hook-up) may provide water service to one (1) additional residence located on the same parcel of land. An additional fee may be imposed as determined by the Board of Directors. If the parcel is subsequently legally subdivided, a new water hook up must be purchased for the added residence.

Section 3.08 Commercial Accounts. Mobile home parks, tourist courts and other commercial enterprises shall be considered commercial accounts and as such their hookup charges and monthly water charges shall be based upon the fees and charges determined by the Board of Directors.

Section 3.09 Subdivisions. The Association shall not assume any responsibility for the facilities required for the distribution of water beyond the established points of service, or needed as a result of subdivision of land, and such shall be installed at the expense of the landowner/developer. The landowner/developer shall present a "water plan" to the Board of Directors. A developer agreement and conveyance agreement must also be executed. All new water facilities must be constructed to Association standards.

Article IV.

BOARD OF DIRECTORS

Section 4.01 Number, Term, and Election of Officers. The Board of Directors shall consist of five (5) Directors. Each Director shall be a member of the Association. Directors shall be elected to a term of three (3) years. The terms of the Directors shall be staggered so that no more than two (2) Directors shall be elected at each annual meeting. Directors shall be elected by a vote of the majority of a quorum of members at each annual meeting of the members or a special meeting of the members called for that purpose. Nominations for Directors shall be by nominating petitions, with a minimum of five (5) members' signatures, submitted to the Secretary thirty (30) days prior to the annual or special meeting.

Section 4.02 Removal. Director may only be removed from office if the number of votes cast to remove the Director would be sufficient to elect the Director at a meeting to elect Directors. Provided, however, a Director may be removed for missing three (3) consecutive board meetings if a majority of the Directors then in office vote for his or her removal.

Section 4.03 Vacancies. Vacancies in the Board of Directors caused by any reason, other than from the expiration of a term of office, shall be filled by the vote of a majority of the remaining Directors. Each person so elected by the Board shall be a Director until the next annual meeting, at which time a Director shall be elected to serve the remainder of 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 4.04 Meeting After Election. The Board of Directors shall meet within forty (40) days after an election to select officers.

Section 4.05 Regular Meetings. Regular meetings of the Board shall be conducted at a time and day of each calendar month, at a convenient meeting place close to the Association, as may be fixed by the Board. Once the meeting place, day and time shall be established, no notice of the regular meetings shall be required unless the meeting place or date and time shall be changed.

Section 4.06 Special Meetings. In addition to the regular monthly meetings Special meetings of the Board may be called at any time by resolution adopted at a regular meeting, or by written notice signed by the President of the Association or by any two Directors. If notice shall be required, then notice shall be provide to all Directors in the manner prescribed for notices under these Bylaws, at least two (2) days prior to the special meeting date (except in the case of an emergency, as determined by the persons calling the meeting, in which case the notice shall be reasonable under the circumstances). Where required, the notice shall include a brief description of the nature of any special business to be considered by the Board.

Section 4.07 Participation in Board Meetings. Any Director may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all Directors may simultaneously hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 4.08 Waiver of Notice. Any person entitled to notice of a meeting may waive such notice, in writing, either before or after such meeting. If any such person shall attend such meeting, such attendance shall constitute a waiver of notice of such meeting, unless such person participates therein solely to object to the transaction of any business because the meeting has not been legally called or convened.

Section 4.09 Quorum. The presence in person of a majority of the Directors at any meeting of the Board shall constitute a quorum unless otherwise required by the Code. The vote of a majority of the quorum actually present at any meeting shall constitute a vote of the Board, unless expressly provided to the contrary in these Bylaws or in the Code.

Section 4.10 Adjournment; Executive Session. The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 4.11 Board Meetings Open to Members. Regular and special meetings of the Board shall be open to all members of the Association, with participation of members who are not Directors being limited by reasonable rules adopted by the Board and announced at the meeting.

Section 4.12 Compensation. Directors shall receive no compensation for their service as Director. Compensation shall be allowed, at the discretion of the Board, for activities deemed not to be normal duties of a Director. The rate of compensation shall be determined by the Board.

Article V.

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

The Board shall have the powers and duties necessary for the administration of the affairs of the Association, and as are specifically set forth in the Code. Without limitation on the generality of the forgoing powers and duties, the Board shall be vested with, and responsible for, the following powers and duties:

Section 5.01 To pass upon the qualification of members, and to cause to be issued a meter number and appropriate documents of membership and cause the same to be recorded in the minutes, and if canceled to cause a cancellation to be recorded in the minutes.

Section 5.02 To select, appoint, supervise, and remove all officers, agents and employees of the Association, for such compensation and under such terms and conditions as may be deemed reasonable to the Board, to proscribe such powers and duties for them as may be consistent with the Code and these Bylaws, and fix their compensation.

Section 5.03 To borrow money and incur indebtedness for purposes of the Association, through any means authorized by the Code, and to cause to be executed and delivered therefore, in the Association's name, promissory notes, bonds, or other evidences of debt (and security therefore), subject to the requirements of the Code.

Section 5.04 To consider, adopt and enforce rules, regulations and policies, as permitted by the Code, relating to hookup procedures, inspection of lines and equipment, and other matters within the jurisdiction of the Association, and to prescribe penalties for the breach thereof.

Section 5.05 To fix and collect charges and fees for water services rendered to members, the time of payment, and the manner of collection.

Section 5.06 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, the cost thereof to be paid by the Association, and it shall be mandatory upon the Directors to so require.

Section 5.07 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 dispersing 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.

Section 5.08 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 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 operating, maintenance expenses, for the establishment of a 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.

Section 5.09 To contract for casualty, liability and other insurance on behalf of the Association as required or permitted under the Code.

Section 5.10 To keep, or cause to be kept, complete and accurate minutes of all meetings, and complete and accurate books and records of the receipts and expenditures of the Association, specifying and itemizing the maintenance and repair expenses incurred and to prepare budgets and financial statements for the Association as required in these Bylaws and by the Code in accordance with good accounting procedures.

Section 5.11 To prepare and file annual reports with the State of Idaho and any other governmental unit having jurisdiction.

OFFICERS

Section 5.12 Enumeration and Term. The officers of this Association shall be a President, Vice President, Secretary, Treasurer, and such other officers as the Board may, from time to time, by resolution, create. Each Officer shall serve until the next election of the Board of Directors, or until he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 5.13 Selection of Officers. The officers shall be selected at the first meeting of the Board of Directors following each election of Directors.

Section 5.14 Resignation and Removal. Any officer may be removed from office by a majority of the Board at any time with or without cause. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignations shall take effect on the date of receipt of such notice or at any later time specified therein, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.15 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 5.16 Multiple Offices. No two offices, except that of secretary and treasurer, may be held by one individual.

Section 5.17 Duties.

- (a) President. The President shall be a member of the Board. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board of Directors are carried out; shall sign all written instruments, agreements, and orders of the Board of Directors.
- (b) Vice President. The Vice President shall be a member of the Board of Directors. The Vice President shall act in the place and stead of the President in the event of his or her absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him or her by the Board of Directors.
- (c) Secretary. The secretary shall record or cause to be recorded the minutes of all meetings and proceedings of the Board of Directors, serve notice of meetings of the Board of Directors, keep appropriate current records showing the members of the Association, together with their addresses, and perform such other duties as required by the Board of Directors. The Secretary may or may not be a member of the Board of Directors.

- (d) Treasurer. The treasurer shall receive and deposit, in appropriate bank accounts all monies of the Association, and shall disburse such funds as directed by resolution of the Board of Directors pursuant to approval of vouchers, when appropriate; shall sign all check of the Association; and shall keep proper books of account and prepare or have prepared financial reports as required in these Bylaws or by the Code. The Treasurer may or may not be a member of the Board of Directors.

Obligations of the secretary and treasurer may be delegated by the Board of Directors to responsible individual employees and/or agents of the Board, after requiring a bond or other security for the faithful performance of such obligations, all according to the resolution of the Board of Directors, and limited according to the Code.

Article VI.

BUDGETS, FINANCIAL STATEMENTS, BOOKS AND RECORDS

Section 6.01 Fees. The Board of Directors shall, prior to the beginning of each fiscal year, determine the flat rate minimum monthly fee to be charged each member during the following fiscal year for a specified quantity of water irrespective of actual water use. The Board of Directors shall also determine the amount of additional charges, if any, for additional water used by any member.

Section 6.02 Budgets and Financial Statements. Financial statements (audited, according to the Code) and pro forma operating budgets for the Association shall be prepared (at least annually) and copies shall be published and made available to members on request, and as required by the Code.

Section 6.03 Fiscal Year. The fiscal year of the Association shall be January 1 – December 31 of each year.

Section 6.04 Inspection of Association Books and Records. All records of the Association shall be made available for inspection and copying by any constituent of the Association and any other citizen as required by law, at any reasonable time and for a purpose reasonably related to the interest of the requesting party (and at the cost of the requesting party), at the office of the Association or at such place within or near the Association as the Board of Directors shall prescribe.

Article VII.

AMENDMENT OF BYLAWS

These By-Laws may be amended at any time and in any manner by resolution approved by a majority of the Board of Directors, provided any such amendment shall not be inconsistent with the Code or Articles of Incorporation, or so to amend the By-Laws as to effect a fundamental change in the policies of the association.

Article VIII.

MISCELLANEOUS PROVISIONS

Section 8.01 Compensation and Indemnity of Officers and Directors. No Director shall receive any loan from the Association, or shall receive any compensation for services rendered for or on behalf of the Association, either individually or through a contractor or vendor in which the Director shall have a substantial financial interest. This prohibition shall not apply, however, to reimbursement for actual sums spent on behalf of the Association, to the extent authorized in advance and in writing by the Board. To the maximum extent permitted by the Code, each Director and officer shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him or her by judgment or settlement in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a Director or officer of the Association (except in cases of fraud, gross negligence or bad faith of the Director or officer in the performance of his or her duties).

Section 8.02 Committees. The Board may appoint committees as deemed appropriate in carrying out its purpose; provided, however, that the power and authority of any such committee shall be limited by the Code.

Section 8.03 Notices. Any notice permitted or required to be given under these Bylaws may be delivered either personally (by telephone or personal delivery of the notice in writing) or by mail, e-mail, or facsimile transmission. If the delivery is other than by direct personal contact, it shall be deemed to have been given forty-eight (48) hours after the performance of the last act necessary to complete the delivery (e.g., deposit in the mail, sending e-mail, or completing the facsimile transmission).

Article IX.
ELECTIONS AND VOTING

Section 9.01 All members of the Association shall have the same rights and obligations with respect to voting in any election in which they are entitled to vote.

Section 9.02 Any election issue in which the members of the Association are entitled to vote will be determined by a cumulative simple majority, derived from two methods of voting; 1) vote by mail and 2) voting at a polling place on the day of the annual meeting or special meeting for that purpose. Ballots from both sources shall be counted at said meeting.

Section 9.03 There must be 10% of the total members of the Association casting ballots in order for there to be a quorum of votes cast. A quorum of votes cast is necessary to validate an election. Elections that lack a quorum of votes cast shall be declared invalid by the Board of Directors and the Board of Directors will decide the issue by resolution and a roll call vote of the Directors prior to adjournment of the meeting at which the ballots are counted.

Section 9.04 A member's meter number will be posted on the ballot envelope to become proof that a member voted. More than one envelope with the same number will invalidate all ballots with that number.

Section 9.05 Absentee members, at their discretion, may cast their ballot by mail.

Section 9.06 Provisions for handicapped members shall be provided as required by law.

ADOPTION OF BYLAWS

We, the undersigned, being all of the Directors of the HAUSER LAKE WATER ASSOCIATION, INC., do hereby assent to the within and foregoing Bylaws and hereby adopt the same as the Bylaws of said Association.

EXECUTED by the undersigned on ____ day of _____, 2007.

