

BY – LAWS OF  
EMERALD ESTATES WATER ASSOCIATION INC.  
March 13, 1995

ARTICLE I

General Purposes

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.

ARTICLE II

Name and Location

Section 1. The name of this association is

EMERALD ESTATES WATER ASSOCIATION INC.

Section 2. The principal place of business of this association shall be in Kootenai County, Idaho. The principal office of the corporation shall be located at 11655 Diamond Drive, Hayden, Idaho.

ARTICLE III

Fiscal Year

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

ARTICLE IV

Members

Section 1. Each owner of an improved property in any residential sub-division which is served by the water system, or systems, of the corporation shall be a member in the corporation. Such membership shall at all times be identified with the owner of the property, or improved properties, and no membership shall be subject to or conditioned upon approval of the Board of Directors or other members. Membership in this corporation is not transferable or assignable except as provided for herein.

Section 2. When a member sells or disposes of any lot served by the Association, the membership for said lot shall be automatically transferred to the person(s) becoming the owner(s) of the lot to be used only as herein and in the Articles of Incorporation provided. All transfers shall be subject to an account transfer fee as

determined from time to time by the Board of Directors. The corporation shall not be required to transfer any membership until all fees, including but not limited to, original hookup and monthly service fees are paid in full.

Section 3. The Secretary-Treasurer shall keep a record of the change of ownership of all lots within the boundaries of the Association for the purpose of maintaining billing accounts and membership accountability.

Association water certificates will be issued to members when initial water services are provided. Included with the certificate will be a membership initiation charge which is determined from time to time by the Board of Directors. Water certificates may be re-issued with a new serial number upon request by any established member at no additional charge.

## ARTICLE V

### Meetings

Section 1. ANNUAL MEETING. The annual meeting of the members shall be held during the month of September, in Hayden, Kootenai County, Idaho, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the election of directors is not held on the day designated herein for any 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 is convenient.

Section 2. SPECIAL MEETINGS. 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 or the Board, signed by ten per cent (10%) 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. NOTICES. Notice of meetings of members of the Association must be by mail to each member of record, directed to the address shown upon the books of the Association, at least twenty (20) days prior to the meeting. Such notice shall state the nature, time, place, and purpose of the meeting.

Section 4. QUORUM. Ten percent (10%) of the membership present or represented by proxy at any meeting of the members shall constitute a quorum at any meeting of the Association for the transaction of business.

Section 5. PROXIES. At any meeting of members, a member entitled to vote may vote by proxy executed in writing by the member. No proxy shall be valid after eleven (11) months from the date of its execution. All proxies are revocable by the member who executed it.

## ARTICLE VI

### Directors and Officers

Section 1. The Board of Directors of this Association shall consist of five (5) members, all of whom shall be members of the Association and residents of the State of Idaho. At each annual meeting thereafter the members shall elect for a term of three (3) years the number of Directors whose terms of office have expired.

Section 2. ELECTIONS. The Board of Directors shall, at the next regular scheduled board meeting, elect a President and a Vice-President from among themselves, and a Secretary-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. VACANCY. Any vacancy in the Board of Directors, other than from the expiration of a term of office, shall be filled by appointment by the remaining members of the Board until the next annual meeting of the members of the Association. The disqualification of the Director as a member of the Association shall operate to disqualify him as a Director and to create a vacancy in the office of the Directors.

Section 4. MEETINGS. The Board of Directors may provide, by resolution, the time and place for holding additional regular meetings without other notice than such resolution. A majority of the Board of Directors shall constitute a quorum at any regular or special meeting of the Board. Special meetings of the Board of Directors may be called by or at the request of the President or any two (2) directors.

Section 5. NOTICE. Notice of any special meeting of the Board of Directors shall be given at least three (3) days before the meeting to each director at his last known address, by written notice, delivered personally or sent by mail or telegram to each director. Directors may waive notice of any meeting. The attendance of the director at any meeting shall constitute a waiver of notice of such meeting, except where director attends a meeting for the express purpose of objecting to the transaction of any business, because the meeting was not lawfully called or convened. The business to be transacted at a meeting shall be specified in the notice of the meeting.

Section 6. ACTION BY DIRECTORS WITHOUT A MEETING. Any action required by law to be taken at a meeting of directors or the corporation, or any action which may be taken at a meeting of the directors of the corporation, may be taken without meeting, if a consent in writing, setting forth the action so taken shall be signed by all directors. Such consent shall have the same effect as a unanimous vote.

Section 7. COMPENSATION. Compensation of Secretary-Treasurer and/or Water Master may be fixed at any regular or special meeting of the Board of Directors. Directors shall receive no compensation for their services as such.

Section 8. REMOVAL. Any director of the Association may be removed from office for cause, by vote of not less than two-thirds (2/3) of the members of the Association present at any annual or at any special meeting called for the purpose.

Section 9. LOANS TO DIRECTORS. The corporation shall not lend money to or use its credit to assist directors.

Section 10. COMMITTEES OF DIRECTORS. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate one or more committees, each of which shall consist of two or more directors, to have and exercise the authority of the Board of Directors in the management of the corporation. Said committees will not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed on it or him by law.

Section 11. OTHER COMMITTEES. Other committees may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Members of each such committee shall be members of the corporation, and the President of the corporation shall appoint the members thereof. Any member thereof may be removed by the person or persons authorized to appoint such member whenever in their judgment the best interests of the corporation shall be served by such removal.

## ARTICLE VII

### Duties of Directors

Section 1. The Board of Directors, subject to restrictions of law, the Articles of Incorporation, or these By-Laws, 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 members) in respect to the matters and as hereinafter set forth:

A. To select and appoint all agents or employees of the Association, or remove any agents or employees of the Association for just cause, prescribe such duties and designate such powers as may not be inconsistent with these By-Laws, fix their compensation and pay for faithful services.

B. To borrow from any source, money, goods or services, and to make and issue notes and other negotiable and transferable instruments, mortgages, deeds of trust and trust agreements, and to do every act and thing necessary to effectuate the same.

C. To prescribe, adopt and amend, from time to time, such equitable uniform rules and regulations 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.

D. To order an annual reviewed financial statement for the Association by a certified public accountant or licensed public accountant, and when there is a change of Director Treasurer position. The report shall be submitted to the members of the Association at their annual meeting.

E. 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.

F. 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 Director to so require.

G. 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. Any depository used by the Association must be federally insured.

H. To levy assessments against the members of the Association and to enforce the collection of such assessments 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.

I. To maintain and adhere to Policies and Procedures Manual for the Association's administration of the water association.

## 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 all membership certificates and such other papers of the Association as he may be authorized or directed to sign by the Board of Directors. 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 declares the office vacant and elects his successor.

Section 3. Duties of the Secretary-Treasurer: The Secretary-Treasurer 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. He shall sign all membership certificates with the President and such other papers pertaining to the Association as he may be authorized or directed to do so by the Board of Directors. He shall serve all notices required by law and by these By-Laws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting. He shall countersign all certificates issued, and keep a proper membership certificate record, showing the name of each member of the Association, and date of issuance, surrender, cancellation, or forfeiture.

He 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 successor, the Secretary-Treasurer shall turn over all books and other property belonging to the Association that he may have in his possession. He shall also perform such duties with respect to the finances of the Association as may be prescribed by the Board of Directors. The Secretary-Treasurer shall cause all membership certificates to be recorded and cause cancellation certificates to be recorded whenever a membership is canceled for any cause.

## ARTICLE IX

### Reserves and 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 building, 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, the net earnings shall be accumulated in a surplus fund for the purpose of replacing, 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 interests of the Association.

Reserves to be established and maintained by the Board of Directors will include but are not limited to the following:

A. A cash operating reserve of a minimum of six (6) months average monthly water fee income. Monthly average income to be determined annually at the end of each fiscal year using the last twelve (12) monthly income fees; and

B. An equipment maintenance reserve of ten percent (10%) of the total valuation of the physical assets of the Association, based upon the estimated valuation performed by and presented by a certified engineering firm. This valuation is to be updated every five (5) years beginning 1990.

Section 2. Should any net earning remain, after all reserves are satisfactorily met, it shall be used to reduce each member's water charge thereafter until all such surplus is exhausted.

## ARTICLE X

### Amendments

Section 1. These By-Laws may be repealed or amended by a vote of two-thirds (2/3) of the members present 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 requirements, 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 By-Laws 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 twenty (20) days before such meeting and must set forth the amendments to be considered.

## ARTICLE XI

### Sale or Dissolution

Section 1. DISSOLUTION. Members reserve the right to dissolve the Emerald Estates Water Association by a vote of two-thirds (2/3) majority of the registered members of the Association. Said vote must be by written ballot utilizing the following procedures:

A. A special meeting will be called by the Board of Directors for the purpose of selling or the dissolution of the Emerald Estates Water Association, only after it has received a bonafied written offer to purchase said Association. The purpose of the first special meeting is to inform the membership of

the proposal, the procedures that will be followed, and to establish the date of the second special meeting.

B. A written ballot, prepared by the Secretary-Treasurer, to be mailed to each registered member using a first class United States postage rate.

C. Ballots are to be returned on or before the date of the special meeting by the active membership to the Association Secretary-Treasurer. The Secretary-Treasurer is to report the results of the voting at the second special meeting. The Secretary-Treasurer is to retain all ballots as permanent records of the Association. The Secretary-Treasurer's summary of the voting is to be a part of the minutes of the special meeting.

D. Upon dissolution, in event said organization is dissolved, all assets remaining after payment of obligations and debts, shall be distributed to all current members of record.