

State of Idaho

Department of State.

CERTIFICATE OF INCORPORATION OF

HAYDEN HILLS NORTH WATER ASSOCIATION, INC.

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of Articles of Incorporation for the incorporation of _____

HAYDEN HILLS NORTH WATER ASSOCIATION, INC.

duly signed pursuant to the provisions of the Idaho Nonprofit Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Incorporation and attach hereto a duplicate original of the Articles of Incorporation.

Dated November 19, 1981.



Pete T. Cenarrusa

SECRETARY OF STATE

Corporation Clerk

ARTICLES OF INCORPORATION OF
HAYDEN HILLS NORTH WATER ASSOCIATION, INC.

THE UNDERSIGNED natural person(s) acting as incorporator(s) of a non-profit Corporation, hereinafter referred to as "CORPORATION" under the provisions of Title 30, Idaho Code, known as the Idaho Business Corporation Act, (this Code as amended from time to time is referred to herein as the "CODE"), adopts the following ARTICLES OF INCORPORATION:

ARTICLE 1

NAME

The name of the Corporation is HAYDEN HILLS NORTH WATER ASSOCIATION, INC.

ARTICLE 2

PERIOD OF DURATION

The period of duration of the Corporation is perpetual.

ARTICLE 3

PURPOSES AND POWERS

Section 3.01. PURPOSES. The purposes for which this Corporation is organized are as follows:

CLAUSE (a). To acquire, construct, maintain and conduct a water system together with easements for the operation thereof, and such other facilities to serve the purpose of providing domestic residential water, not to exceed THIRTY, (30), connections for the use of the same for single family or multiple family residences all within Section 33 of Township 52 North, Range 3, W.B.M., Kootenai County, Idaho; to engage in any and all types of activities not prohibited by Law which shall promote and foster the provision of residential domestic water for the above noted purposes in conjunction with County, State, Federal and municipal bodies and authorities.

CLAUSE (b). In futherance of an not in limatation with the general powers conferred by the Laws of the State of Idaho, it is expressly provided that this Corporation shall also have the following powers:

1. To borrow money and give security therefore.
2. To enter into, make, perform and carry out contracts of every kind for any lawful purpose pertaining to its business, with any individual, and any firm, association, corporation, or any government, municipality, or public authority, domestic or foreign.
3. To do everything necessary, proper, convenient or incidental to the accomplishment of the purposes and objects of this Corporation, or which is calculated directly or indirectly to promote the welfare of interests of the Corporation.
4. To do any and all things in this article set forth to the same extent a natural person might or could do and in any part of the world as principals, agents, contractors, trustees or otherwise, either alone or in the company with others.

CLAUSE (c). AUXILLARY PURPOSES. To do everything necessary, proper, advisable, or convenient, for the accomplishment of the foregoing purposes, and to do all other things incidental to them or connected with them that are not forbidden by the Code, by other law, or by these ARTICLES OF INCORPORATION.

SECTION 3.02. POWERS. The Corporation, subject to any specific written limitations or restrictions imposed by the Code or by these ARTICLES OF INCORPORATION, shall have and exercise the following powers:

CLAUSE (a). STATUTORY POWERS. To have and exercise all the powers specified in the Code.

CLAUSE (b). NON-ENTRY INTO PROFIT SHARING ARRANGEMENTS AND PARTNERSHIPS. Not to enter into any lawful arrangement for sharing profits, union of interest, reciprocal association, or cooperative association with any domestic Corporation or foreign Corporation, associations, partnerships, individuals, or other entities, and to enter into general or limited partnerships.

CLAUSE (c). GUARANTIES. To make any guaranty respecting stock, dividends, securities, indebtedness, interest, contracts, or other obligations created by any domestic or foreign Corporations, associations, partnerships, individuals, or other entitles.

CLAUSE (d). CONSTRUCTION OF POWERS. Each of the foregoing clauses of this section shall be construed as independent powers and the matters expressed in each clause shall not unless otherwise expressly provided, be limited by reference to, or inference from, the terms of any other clause. The enumeration of specific powers shall not be construed as limiting or restricting in any manner either

the meaning of general terms used in any of these clauses, or the scope of the general powers of the Corporation created by them; nor shall the expression of one thing in any of these clauses be deemed to exclude another not expressed, although it be of like nature.

SECTION 3.03. CARRYING OUT OF PURPOSES AND EXERCISE OF POWERS IN ANY JURISDICTION. The Corporation may carry out its purposes and exercise its powers in any state, territory, district, or possession of the United States, or in any foreign country, to the extent that these purposes and powers are not forbidden by the law of the State, territory, district, or possession of the United States, or by the foreign country and it may limit the purpose or purposes that it proposes to carry out or the powers it proposes to exercise in any application to do business in any State, territory, district, or possession of the United States, or foreign country.

SECTION 3.04. DIRECTION OF PURPOSES AND EXERCISE OF POWERS BY DIRECTORS. The Board of Directors, subject to any specific written limitations or restrictions imposed by the Code or by these ARTICLES OF INCORPORATION, shall direct the carrying out of the purposes and exercise the powers of the Corporation without previous authorization or subsequent approval by the Shareholders of the Corporation.

SECTION 3.05. LIMITING PROVISION. Nothing contained in this Article shall be construed to authorize the Corporation to engage in the business of banking or insurance.

ARTICLE 4

AUTHORIZED SHARES

SECTION 4.01. NUMBER. The aggregate number of memberships that the Corporation shall have authority to issue is THIRTY, (30), the same to be of one, class.

SECTION 4.02. DIVIDENDS.

CLAUSE (a). SOURCE AND MEDIUM. The holders of the Memberships shall not be entitled to receive, dividends. Whenever there shall, by the Board of Directors, be declared a surplus, whether unreserved or unrestricted funds, said surplus shall be given to such charitable institutions as the Board of Directors so deems proper.

SECTION 4.03. CUMULATIVE VOTING. At each election for directors, every holder of the Capital Stock shall have the right to vote, in person or by proxy, the number of memberships registered in his name for as many persons as there are directors to be elected and for whose election he

has the right to vote, or to cumulate his votes by giving one candidate as many votes, as the number of such directors multiplied by the number of his memberships shall equal, or by distributing such votes on the same principle amount any number of such candidates.

ARTICLE 5

MEMBERSHIPS TO BE OF ONE CLASS

The memberships of the Corporation shall be of one class.

ARTICLE 6

NO MEMBERSHIPS ISSUED IN SERIES

The Corporation is not authorized to issue memberships in series.

ARTICLE 7

RECEIPT OF MINIMUM CAPITAL

The Corporation will not commence business until consideration of the value of at least ONE HUNDRED DOLLARS, (\$100.00), has been received.

ARTICLE 8

PROVISIONS FOR REGULATION OF THE INTERNAL AFFAIRS OF THE CORPORATION

SECTION 8.01 BYLAWS. The initial Bylaws shall be adopted by the Board of Directors. The power to alter, amend, or repeal the Bylaws or to adopt new Bylaws shall be vested in the Board of Directors. The Bylaws may contain any provisions for the regulation and management of the affairs of the corporation not inconsistent with the Code or these ARTICLES OF INCORPORATION.

SECTION 8.02. TRANSACTIONS IN WHICH DIRECTORS HAVE AN INTEREST. Any contract or other transaction between the Corporation and any firm of which one or more of its directors are members or employees, or in which they are interested, or between the Corporation and any Corporation or association of which one or more of its directors are shareholder, members, directors, officers or employees, or in which they are interested, shall be valid for all purposes, notwithstanding the presence of the director or directors at the meeting of the Board of Directors of the Corporation that acts upon, or in reference to, the contract or transaction, and notwithstanding his or their participation in the action, if the fact of such interest shall be disclosed or known to the Board of Directors and the Board of Directors shall, nevertheless, authorize or

ratify the contract or transaction, the interested director or directors to be counted in determining whether a quorum is present and to be entitled to vote on such authorization or ratification. This section shall not be construed to invalidate any contract or other transaction that would otherwise be valid under the common and statutory law applicable to it.

SECTION 8.03. INDEMNIFICATION AND RELATED MATTERS.

CLAUSE (a). POWER TO INDEMNIFY-THIRD PARTY ACTIONS. The Corporation shall have power to indemnify 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 Corporation) by reason of the fact that he is or was a director, officer, employee, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses,, (including Attorneys Fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith, and in a manner which he reasonably believed to be in or not opposed to the best of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

CLAUSE (b). POWER TO INDEMNIFY-ACTION BROUGHT IN THE RIGHT OF THE CORPORATION. The Corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against expenses, (including attorneys fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court shall deem proper.

CLAUSE (c). RIGHT OF INDEMNIFICATION. To the extent that a director, officer or employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in clauses (a) and (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys fees) actually and reasonably incurred by him in connection therewith.

CLAUSE (d). DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION. Any indemnification under clauses (a) and (b) (unless ordered by a Court) shall be made by the Corporation 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 he has met the applicable standard of conduct set forth in clauses (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the shareholders.

CLAUSE (e). ADVANCEMENT OF EXPENSES. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in clause (d) upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

CLAUSE (f). SAVINGS CLAUSE. The indemnification provided by this sections shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, Agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

CLAUSE (g). INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this section.

SECTION 8.04. REMOVAL OF DIRECTORS. At a special meeting of the shareholders called expressly for the

purpose. Directors may be removed in the manner provided in this section. The entire Board of Directors may be removed, with or without cause, by a vote of the holders of a 2/3 majority of the shares then entitled to vote at an election of directors. No one of the directors may be removed if the votes cast against his removal would be sufficient to elect him if then cumulatively votes at an election to receive notice of or a hearing with respect to his removal.

SECTION 8.05. AMENDMENT OF ARTICLES OF INCORPORATION. The Corporation reserves the right to amend the ARTICLES OF INCORPORATION in any manner now or hereafter permitted by the Code, except no amendment shall be made to Section 4.03, 9.04 and 11.03 of these ARTICLES OF INCORPORATION without the written consent or affirmative vote of the holders of SIXTY SEVEN PERCENT, (67%), of the issued and outstanding shares of Capital Stock.

ARTICLE 9

ADDRESS OF INITIAL REGISTERED OFFICE

AND

NAME OF INITIAL REGISTERED AGENT

SECTION 9.01. REGISTERED OFFICE. The address of the initial registered office of the Corporation is:
Route 2 Box 198, Hayden Lake, Idaho 83835

SECTION 9.02. REGISTERED AGENT. The name of the initial registered agent of the Corporation, and individual in Idaho whose business office is at such address is:
George Horsfield

ARTICLE 10

DATA RESPECTING DIRECTORS

Section 10.01. INITIAL BOARD OF DIRECTORS. The initial Board of Directors shall consist of THREE, (3), members who need not be residents of the State of Idaho, or membershipholders of the Corporation.

Section 10.02. NAMES AND ADDRESSES. The names and addresses of the persons who are to serve as Directors until the first annual meeting of members and until their successors shall have been elected and qualified, follows:

<u>NAME</u>	<u>NUMBER, STREET BUILDING</u>	<u>CITY</u>	<u>STATE</u>	<u>ZIP CODE</u>
George Horsfield	Route 2 Box 198,	Hayden Lake,	Idaho	83835
Brenda Horsfield	Route 2 Box 198,	Hayden Lake,	Idaho	83835
Mary Stanley	Route 2 Box 198,	Hayden Lake,	Idaho	83835

Section 10.03. INCREASE OR DECREASE OF DIRECTORS. The number of directors may be increased or decreased from time to time by amendment of the Code or Bylaws; but no decrease shall have the effect of reducing such number below the actual number of shareholders of record or of shortening the term of any incumbent director. In the absence of a provision in the Bylaws fixing the number of directors, the number shall be THREE, (3).

ARTICLE 11

DATA RESPECTING INCORPORATOR(S)

The names and addresses of the incorporators of the Corporation, natural persons, citizens of the United States are as follows:

<u>NAME</u>	<u>NUMBER, STREET BUILDING</u>	<u>CITY</u>	<u>STATE</u>	<u>NUMBER OF MEMBERSHIPS SUBSCRIBED</u>
George Horsfield	Rt. 2 Box 198	Hayden Lake,	Idaho	83835 1

EXECUTED this 13th day of May, 1981.

[Signature]

 GEORGE HORSFIELD

[Signature]

 BRENDA HORSFIELD

STATE OF IDAHO)
) ss.
 County of Kootenai)

I, the undersigned, a Notary Public, duly commissioned to take acknowledgment in the State of Idaho, do hereby certify that on this day, personally appeared before me, George Horsfield, and Brenda Horsfield, who, being by me first duly sworn, declare that they are the incorporators referred to in Article 11 of the foregoing Articles of Incorporation, and that they signed these Articles as such and that the statements contained therein are true.

WITNESS MY HAND AND NOTARIAL SEAL THIS 13th DAY OF May, 1981.

[Signature]

 NOTARY PUBLIC FOR IDAHO
 RESIDING AT: Carewood
 MY COMMISSION EXPIRES: life