

ARTICLES OF INCORPORATION

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of

SECRETARY OF STATE  
STATE OF IDAHO

EVERGREEN TERRACE WATER ASSOCIATION, INC.

The undersigned persons over the age of 18 years or more, as the incorporators of a non-profit corporation under the provisions of the Idaho Non-Profit Corporation Act (Idaho Code Title 30, Chapter 3) hereby adopt the following. Articles of Incorporation for such non-profit corporation:

ARTICLE I

Name

The name of this non-profit mutual organization shall be the EVERGREEN TERRACE WATER ASSOCIATION, INC. (hereinafter "Association").

ARTICLE II

Duration

The period of duration of this Association shall be perpetual.

ARTICLE III

Purposes

The nature of the business of the Association and its object and purposes are as follows:

(1) To acquire, construct, own and operate a water distribution system for the mutual benefit of its share-holders.

(2) In furthering the purposes hereinbefore set forth, this Association is organized and operated to receive, hold, invest, and administer property, whether real or personal, and to exercise the powers herein after described.

ARTICLE IV

Powers and Limitations

4.1 Powers. In accomplishing the purposes of the Association, the Association shall have and be entitled to exercise all the powers enumerated in Idaho Code Chapters 30-3-25 and 30-3-26 as now enacted and hereafter amended except as limited herein. Where any provision of these articles or the bylaws of the Association are more restrictive, the more restrictive provision shall apply.

4.2 Limitations.

a. The business of this Association shall be conducted strictly upon the cooperative basis and no service shall be rendered to or for any person, firm or corporation other than shareholders of the Association and there shall be no profit earned by the Association nor

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any dividends declared from any accumulations in its treasury nor any division of the assets of the Association among the shareholders thereof at any time unless upon the dissolution and liquidation of the Association or as required by law to maintain its non-profit and/or tax exempt status.

b. The number of shareholders of the system shall be limited to not more than one hundred (100) which is based on the capacity of the proposed system.

## **ARTICLE V**

### **Stock**

5.1 **Authorized Shares.** The Association is authorized to issue thirty-six (36) shares of common stock which for purposes of any applicable law shall each have a par value of Ten Dollars (\$10.00) amounting in the aggregate to Three Hundred and Sixty Dollars (\$360).

5.2 **Common Stock.**

a. The Association may issue and sell common stock to any person (an "eligible person") approved by the Board of Directors if the following conditions are satisfied:

1. The person owns property within the service district of the Association;

2. The person agrees to pay the charges and assessments of the Association and provides such security as required by the Board; and

3. Authorized shares of the Association are available for issuance.

4. No more than one share of stock may be owned by any person for each connection the shareholder acquires from the Association and only one share of stock may be issued for each connection.

b. Shares of common stock are transferable, to persons who own property connected to the Association's water system or who own property in the system for which a reservation of water has been made for par value (or book value per share to owner) only.

c. In the event the Board of Directors (the "Board") shall find following a hearing that any of the common stock of this Association has come into the hands of any person who rights or privileges on account of such stock or vote or voice in the management or affairs of the Association (other than the right to participate in accordance with law in case of dissolution and to receive the par or book value of such stock, whichever is less, in the event of its sale or transfer as herein provided), and the Association shall have the right (a) to purchase such stock at its book or par value, whichever is less, as determined by the Board, and on the failure of the holder to deliver the certificate or certificates evidencing any such stock, the Association may cancel the same on its books, or (b) require the transfer of any such stock at such book or par value to any person eligible to hold the same and on the failure of the holder to deliver the certificate or certificates evidencing any such stock, the Association may cancel the same on its books and issue a new certificate or certificates in lieu thereof to any such person.

d. The common stock of this Association shall be transferred only to persons eligible to hold the same. A sale of the share(s) of common stock by a shareholder to an eligible person shall transfer to the purchaser all rights, title and interest of the seller in the corporation to the purchaser and any distribution such seller may be entitled to in the future by virtue of his/her patronage. No purported assignment or transfer of such common stock shall pass to any person, not an eligible person, any rights or privileges on account of such stock or vote or voice in the management or affairs of the Association. The Board may refuse to transfer stock on the books of the Association unless provision is made for paying or providing security for payment, satisfactory in the sole discretion of the Board, for all costs associated with the connection of the new shareholder to the Association's water system when such costs have not been paid in full prior to the transfer of the share(s). It is the intent of the incorporation that common stock of the corporation be held only by property owners within the Association's water service area as defined by the Board of Directors from time to time. Exercising the authority to restrict ownership of stock in the Association confers no right or privilege on the Board of Directors or shareholders to approve or disapprove the sale of shareholders' real property, nor does it confer on the Board of Directors or shareholders, the authority to restrict the sale of the common stock in conjunction with the sale of real property actually served by water from the Association at the time of transfer of the real property.

e. The shares of common stock may be pledged as security to any lender whose debt is secured by the real property upon which the connection to the Association's water system is located.

f. The Association will, upon request of a shareholder who is not connected to the water system, redeem such shareholder's share for the par value (or book value per share if lower).

g. Ownership of each share of common stock shall entitle the holder thereof to access the Association's water system and the purchase of water from the Association, provided, however, that any shareholder in default in payment of fees and assessments charged by the Association, as determined by the Board, shall not be entitled to any rights of a shareholder hereunder.

5.3 Pre-Emptive Rights. No shareholder shall have any pre-emptive right to acquire additional stock.

5.4 Voting. Each holder of common stock in good standing with the Association shall be entitled to vote the number of shares owned by such shareholder in any meeting of the shareholders. A shareholder is deemed in good standing with the Association provided all subscriptions, dues, fees, assessments and any other charges made by the Association which are due and not delinquent as of the date of the meeting are paid current at least five (5) days before the share-holders act on the business of the Association.

5.5 Lien. The Association shall have a lien on the common stock and on the distributions declared by the Board for all sums owed by any owner to the Association.

5.6 Miscellaneous. No interest or dividend shall be paid on outstanding common stock. Each certificate of common stock shall have the foregoing paragraphs 5.2 through 5.5 provisions printed thereon.

5.7 Limitations.

a. The Association is organized on a non-profit basis for the mutual benefit of its shareholders/users and will not have profits from which to pay dividends on its capital. After all losses have been provided for, expenses of the Association paid, and reasonable reserves set aside in the absolute and sole discretion of the Board, the net earnings, if any, shall be accumulated for such purposes as the Board in its absolute and sole discretion shall decide, including distribution to the shareholders on an equitable basis.

b. No dissenting shareholder shall have his share of any distribution diminished by reason of his dissent except as otherwise provided herein.

**ARTICLE VI**  
**Registered Office and Registered Agent**

The registered office of this Association shall be 248 Evergreen Terrace Road, St. Maries, ID 83861, and the name of the initial registered agent of the Association at such address shall be Arlo Slack.

**ARTICLE VII**  
**Directors**

7.1 Initial. The initial Board of Directors of the Association shall consist of:

<u>Name</u>	<u>Address</u>	<u>Term Expires</u>
Arlo Slack	248 Evergreen Terrace Rd. St. Maries, ID	May 1, 2011
James Nilson	P.O. Box 726 St. Maries, ID	May 1, 2012
James Shubert	170 Ponderosa Lane St. Maries, ID	May 1, 2011
Bryce Coulter	606 Evergreen Terrace Rd. St. Maries, ID	May 1, 2010
Gary Moss	568 Evergreen Terrace Rd. St. Maries, ID	May 1, 2012

Each member of the initial Board shall hold office and shall have all powers necessary to carry out the business of the Association until a full Board of the Association is appointed, but not later than the first annual meeting.

7.2 Number. The number and election of directors of the Association shall be prescribed in the By-Laws, but shall be not less than three, nor more than nine.

7.3 Removal. A director may be removed by the three-quarter affirmative vote of the shareholders present at a meeting of the shareholders.

7.4 Liability. No director shall be personally liable to the Association or its members for monetary damages for conduct as a director provided that such limitation of liability shall not apply to acts or omissions of intentional misconduct, knowing violation of a law, or for any transaction from which the director will personally receive a benefit in money, property or service to which the director is not legally entitled. This provision is intended to provide the directors the maximum limitation of liability intended by Idaho Code Section 30-3-85, as now enacted or hereafter amended, revised, reenacted or replaced and interpretations thereof by the courts.

**ARTICLE VIII**  
**Dissolution**

Upon the dissolution of the Association, the Board shall, after paying or making provision for the payment of all of the liabilities of the Association and making provision for reimbursement of capital contributions paid in the form of assessments or otherwise by the shareholders distribute all of the remaining assets of the Association on a patronage basis to all shareholders past and present to the extent it is practicable. Any of such assets not so disposed of shall be disposed of by the District Court of the County in which the principal office of the Association is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine.

**ARTICLE IX**  
**Miscellaneous Provisions**

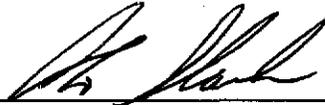
9.1 Headings. Headings in these articles are intended to assist in location of specific provisions and are not controlling in interpreting the substantive provisions.

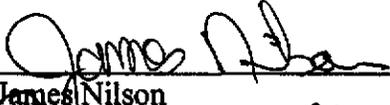
**ARTICLE X**  
**Incorporators**

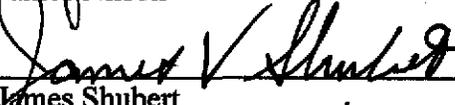
The names and addresses of the incorporators of the Corporation are as follows:

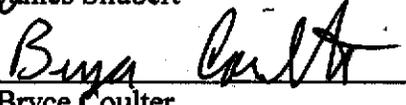
<u>Name</u>	<u>Address</u>
Arlo Slack	248 Evergreen Terrace Rd. St. Maries, ID
James Nilson	P.O. Box 726 St. Maries, ID
James Shubert	170 Ponderosa Lane St. Maries, ID
Bryce Coulter	606 Evergreen Terrace Rd. St. Maries, ID
Gary Moss	P.O. Box 508 St. Maries, ID

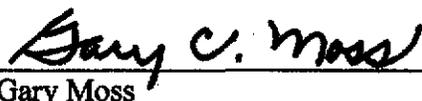
IN WITNESS WHEREOF, the undersigned has signed these Articles of Incorporation  
this 22 day of April, 2009.

  
\_\_\_\_\_  
Arlo Slack

  
\_\_\_\_\_  
James Nilson

  
\_\_\_\_\_  
James Shubert

  
\_\_\_\_\_  
Bryce Coulter

  
\_\_\_\_\_  
Gary Moss

**CONSENT TO APPOINTMENT AS REGISTERED AGENT**

Arlo Slack hereby consents to serve as registered agent, in the State of Idaho, for Evergreen Terrace Water Association. <sup>Inc.</sup> I understand that as agent for the Corporation, it will be my responsibility to accept Service of Process in the name of the Corporation; to forward all mail and license renewals to the appropriate officer(s) of the Corporation; and to immediately notify the Office of the Secretary of State of our resignation or of any changes in the address of the registered office of the Corporation for which I am agent.

Date: April 2, 2009.

By   
Arlo Slack