

MAR 04 2005

Layman, Layman, McKinley
& Robinson, PLLP

BYLAWS
OF
COUGAR BAY WATER ASSOCIATION, INC.

ARTICLE I
NAME AND NATURE OF CORPORATION

The name of this corporation is the Cougar Bay Water Association, Inc. ("Water Association"). The Water Association is a non-profit corporation organized pursuant to the laws of the State of Idaho.

ARTICLE II
PRINCIPAL OFFICE

The principal office and place of business of the Water Association shall be within Kootenai County, Idaho, or at such other location or locations within or without the State of Idaho as the Board of Directors may determine from time to time. The mailing address of the Water Association will be Cougar Bay Water Association, Inc., c/o ACI, 6600 Government Way, Coeur d'Alene, ID 83815.

ARTICLE III
APPLICABILITY

The provisions of these Bylaws are applicable to the private, non-profit water association known as Cougar Bay Water Association, Inc. All present and future Members and their tenants, future tenants, employees and any other persons who might use the Water Association's water service in any manner are subject to the regulations set forth in these Bylaws, the Articles of Incorporation for the Water Association, the Rules and Regulations and any other procedures or policies adopted under such documents by the Water Association, all as now exist or as may hereafter be amended or modified. The mere act of occupancy of any Lot receiving or entitled to receive water service from the Water Association shall signify that these Bylaws are accepted and ratified, and will be observed.

ARTICLE IV
MEMBERSHIP

Section 4.1. Membership. The Originating Member, any person or entity ("Person") owning real property in the planned unit development known as The Ridge at Cougar Bay, and any other Person who has submitted an application for membership along with the requisite fee shall become a Member of the Water Association.

Section 4.2. Classes of Membership and Voting Rights. The Water Association shall have two (2) classes of voting membership as set forth below:

4.2.1. Class "A" Membership. Class "A" membership shall be held by each Person owning real property at The Ridge at Cougar Bay and each Person who has submitted an application for membership along with the requisite fee, excepting the Originating Member. Each Class "A" Member shall be entitled to one (1) vote for lot or parcel eligible for water service ("Lot"). If the Lot is owned by more than one Person, each such Person shall be a Member of the Water Association, but there shall be no more than one (1) vote for each Lot. Multiple owners shall have joint rights and obligations hereunder.

4.2.2. Class "B" Membership. Class "B" membership shall be that held by the Originating Member designated herein, or the assignee of such Originating Member's rights hereunder. The Class "B" Member shall be entitled to seven (7) votes for each Lot or Parcel that can be served by the Water Association based on the System Capacity; provided that Class "B" membership shall be converted to Class "A" membership and shall forever cease to exist on the occurrence of whichever of the following is first in time:

4.2.2.1 When the Class "A" votes equal or surpass Class "B" votes; or

4.2.2.2. On the thirtieth (30th) anniversary of the filing of the Articles of Incorporation with the Secretary of State of Idaho.

4.2.3. Additional Classes of Membership. This Water Association may add additional classes of membership, through the lawful amendment of these Bylaws.

4.2.4. Voting Requirements. Except where otherwise expressly provided in the Articles of Incorporation ("Articles") or these Bylaws, any action by the Water Association which must have the approval of the Water Association membership before being undertaken shall require the vote of the prescribed percentage of the total voting power of the Water Association. Except as otherwise provided in the Articles, these Bylaws or by law, a majority of the voting power present at any meeting at which a quorum exists, in person or by proxy, shall constitute the vote of the Members.

4.2.5 Limitation of Payment to Dissenting Member. Membership in the Water Association is appurtenant to and cannot be segregated from ownership of a lot or parcel eligible for service from the Water Association. Except upon dissolution of the Water Association and as further set forth herein, a dissenting Member shall not be entitled to any return of any contribution or other interest in the Water Association.

Section 4.3. Joint Owner Disputes. The vote for each Lot must be cast as a single vote, and the vote of a particular Lot shall not be fractionalized or split. If

joint owners are unable to agree how their vote shall be cast, they shall lose their right to vote on the matter in question.

Section 4.4. Suspension/Disconnection. A Member's water service may be suspended or disconnected and the Member's rights withdrawn for non-payment of any required water fee or charge ("Fees"). Said suspension or disconnection shall follow the procedures set forth below:

4.4.1. When a Member's Fees become delinquent, the Treasurer shall send the Member a notice of failure to make payments. All notices will be mailed by regular first class U.S. Mail to the Lot at which water service is provided, or to such other address as the Member may have provided to the Water Association for notice purposes, and shall be effective upon deposit in the U.S. Mail. The Treasurer shall certify the date on which he or she mailed the notice.

4.4.2. If the Member does not pay the delinquent fees in response to the first notice, the Treasurer shall send a second notice in accordance with the procedures set forth in § 4.4.1 above, including the time and date on which water service will be suspended or disconnected if the Fees are not paid.

4.4.3. If the Member does not pay the delinquent Fees in response to the second notice, the Treasurer shall cause a final notice to be posted on the door of the residence or other appropriate location on the Lot, notifying the Member that water service will be disconnected within 24 hours if payment in full is not received by the Treasurer within that time.

4.4.4 If the Member does not pay the delinquent Fees in response to the final notice, the water service shall be suspended or disconnected.

During any period of suspension or disconnection of water service, a Member shall lose all rights to: (1) vote, (2) use the Water Association's facilities, including the right to water service, and (3) enjoyment of any of advantages of Water Association membership. However, a Member whose water service has been suspended or disconnected is still responsible for Fees and the mere suspension of water service shall not in any way prohibit any other legal remedy, including but not limited to, the filing of a claim of lien by the Water Association and foreclosure of the same in order to collect full payment of Fees.

Section 4.5. Reinstatement/ Reconnection. A Member whose water service has been suspended or disconnected may have water service reinstated upon the approval of a majority of the members of the Water Board, but only so long as all Fees have been brought current, all applicable fees for reconnection of water service have been paid, and the Member otherwise fulfills all of the requirements of membership. An application for reinstatement shall be made to the Treasurer accompanied by a non-refundable fee of Fifty Dollars (\$50).

Section 4.6. Proof of Membership and Transfer. The binding proof of membership shall be the approved and signed Water Association "Application for Membership" and the membership ledger of the Water Association as kept by the Secretary of the Water Association. Membership in the Water Association may not be sold, assigned or transferred, except that sale of any Member's Lot shall automatically transfer membership to the new owner. Provided, however, that the selling Member is required to notify the Secretary of the Water Association of any such transfer, and the Secretary shall promptly record such transfer in the records of the Water Association. The selling Member and the purchaser shall be jointly and severally liable for all fees and charges until such transfer is recorded in the Water Association records, at which time, the Lot purchaser (new Member) shall be solely liable for any fees or charges.

ARTICLE V ORIGINATING MEMBER

The Originating Member of the Water Association is BRMC Properties, LLC, the developer of The Ridge at Cougar Bay Planned Unit Development and any additions thereto. The Originating Member may, in its sole discretion, assign its rights as Originating Member.

ARTICLE VI MEETING OF MEMBERS

Section 6.1. Annual Meeting. The annual meeting of the Members shall be held in Kootenai County, Idaho, at a time, place and location determined by the Water Board. If the Water Board shall fail to set another time and date, then the meeting shall occur on the second Wednesday of October in each year, at the hour of 7:00 p.m., at a meeting place to be announced in the call of the meeting. The purpose of the meeting shall be to elect Directors and for the transaction of such other business as may come before the meeting.

Section 6.2. Special Meetings. Special meetings of the Members may be called by the President, or by not less than twenty-five percent (25%) of the voting power of the Water Association at any time with proper notice.

Section 6.3. Meeting Place. The President or the Members may designate any place in Kootenai County, Idaho, as a place of meeting for any special meeting.

Section 6.4. Notice of Meeting. Written notice stating the place, day and hour of the annual meeting or a special meeting of Members shall be given by the Secretary to all Members in the manner specified for notices under these Bylaws. Such notice shall specify the place, day and hour of the meeting and in the case of a special meeting, or when required by statute, the purpose or purposes for which the meeting is called. Except in the case of an emergency, notice shall be delivered to each Member entitled to vote at such meeting not less than ten (10) days nor more than thirty (30) days before the date of such meeting.

Section 6.5. Quorum. Twenty percent (20%) of the voting power of the Water Association, in person or by proxy, shall constitute a quorum for the conduct of regular business of the Water Association. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 6.6. Proxies. At all meetings of Members, a Member entitled to vote may vote in person or by proxy. All proxies shall be in writing, signed by the Member, and filed with the Secretary before the appointed time of each meeting. All proxies shall be valid only for the meeting for which the proxies are given, except that a proxy shall continue in effect in the event the meeting is reconvened at a later time after adjournment for lack of a quorum, unless otherwise provided in the proxy. Every proxy shall be revocable and shall automatically cease upon receipt of notice by the Secretary of the Water Association of the death or judicially declared incompetence of such Member.

Section 6.7. Regular Business. The regular business of the Water Association may be carried out by a simple majority of voting power of the Water Association present in person or by proxy at any annual, regular or special meeting, except as otherwise stated in these Bylaws. Except as otherwise provided in these Bylaws, the Articles or the Rules and Regulations, all meetings shall be conducted in accordance with Robert's Rules of Order Revised, the latest edition of which shall be available at the meeting

Section 6.8. Adjournment for Lack of Quorum. In the absence of a quorum at a meeting of the Members, a majority of those present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. The required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the meeting so adjourned. An adjournment for lack of quorum shall be to a date not more than sixty (60) days from the original meeting.

Section 6.9 Action Without Meeting. Any action which may be taken at a meeting of the Members may be taken without a meeting if a consent, in writing, setting forth the action so taken, is signed by all Members entitled to vote thereon. Such consent shall have the same force and effect as a unanimous vote.

ARTICLE VII **GOVERNING BODY**

The Board of Directors of the Water Association shall constitute the governing body of this Water Association.

ARTICLE VIII **BOARD OF DIRECTORS**

Section 8.1. Number and Term of Directors. The affairs of the Water Association shall be managed by a Board of Directors ("Water Board") which shall initially consist of three (3) Directors, but may be increased in size in accordance

with, and by amendment of these Bylaws when the Class "B" membership ceases to exist or earlier at the sole option of the Water Board. At the first annual meeting of the Members following an increase in the number of Directors, the election of Directors shall be divided into three (3) classes, of nearly equal number, with one class elected for a term of three (3) years, a second class elected for a term of two (2) years, and a third class elected for a term of one (1) year. Thereafter, the class of Directors to be elected each year shall be elected for a term of three (3) years. The Directors need not be Members of the Water Association until conversion of Class "B" memberships to Class "A" after which time all Directors must be Members of the Water Association.

Section 8.2. Election of Board of Directors. Directors are elected at the annual meeting. Nominations for election to the Water Board may be made at the floor of the annual meeting of the Water Association. Additionally, the Water Board may appoint a nominating committee at least ninety (90) days prior to each annual meeting of the Members to serve until the close of such annual meeting and to make as many nominations for the election as such nominating committee shall determine.

Section 8.3. Removal. Any Director elected by the Members may be removed, with or without cause, by a vote for removal by two-thirds (2/3) of the voting power of the Water Association present, in person or by proxy, at a meeting at which a quorum is present.

Section 8.4. Disqualification. Any Director may lose his or her position as Director by disqualification for any one of the following reasons:

8.4.1. Loss of membership in the Water Association after all memberships are converted to Class "A;"

8.4.2. Absence from three (3) consecutive Board meetings without just cause; or

8.4.3. Continuing conflict of interest between outside interests and duties as a Director, after all memberships are converted to Class "A."

The final determination of disqualification if any of the foregoing have occurred shall be made by the Water Board by an affirmative vote of a majority of the remaining Directors. Upon such an affirmative determination of disqualification, that Director's position shall be considered vacant.

Section 8.5. Vacancies. A vacancy on the Water Board because of death, resignation, removal, disqualification or otherwise may be filled by majority vote of the remaining Directors for the unexpired term, or until a successor is elected at a special meeting called for that purpose.

Section 8.6. Quorum. The presence in person of a majority of the Directors at any meeting of the Water Board shall constitute a quorum and the vote of the

majority of the quorum actually present at any meeting shall constitute an action of the Water Board.

Section 8.7. Regular Meetings. Regular meetings of the Water Board shall be conducted at least annually at such time and place within Kootenai County, Idaho as may be fixed by the Water Board. Notice of the time and the place of the regular meetings shall be given to each Director personally by mail, telephone or facsimile at least three (3) days prior to the day designated for the meeting.

Section 8.8. Special Meetings. A special meeting of the Water Board may be called by written notice, signed by the President or a majority of the Directors other than the President. Notice shall be provided to each Director personally by mail, telephone or facsimile. The notice shall include a description and the nature of any special business to be considered by the Water Board at the special meeting.

Section 8.9. Waiver of Notice. Before, at or after any meeting of the Water Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to that Director having been given notice of such meeting. Attendance by a Director at any meeting of the Water Board shall constitute a waiver of notice by that Director of the time and the place of the meeting except where such attendance is for the limited and express purpose of objecting to the transaction of any business because the meeting is allegedly unlawful.

Section 8.10. Action By Consent of Directors. Any action required or permitted to be taken by the Water Board may be taken without a meeting if all of the Directors individually or collectively consent in writing to such action. Said consent may occur by electronic communication if later ratified in writing.

Section 8.11. Board Meetings Open to Members. Regular and special meetings of the Water Board shall be open to all Members of the Water Association; provided, however, that Members who are not on the Water Board may not participate in any deliberation or any discussion unless expressly so authorized by vote of a majority of the quorum of the Water Board.

Section 8.12. Executive Session. The Water Board may, with the approval of a majority of the quorum of the Directors, adjourn a meeting and reconvene in Executive Session to discuss and vote upon matters of a sensitive and/or personal nature, litigation in which the Water 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. Executive Sessions shall not be open to Members.

Section 8.13. Powers and Duties. The Water Board shall have the powers and duties necessary for the administration and management of the affairs of the Water Association to the full extent of the law. Without limiting the generality of the foregoing, the Water Board, by resolution, shall set rules and regulations concerning the management of the Water Association and shall set fees and charges for the water system.

Section 8.14. Committee Designation. The Water Board may, by majority vote of the Directors, designate one (1) or more committees authorizing such committee or committees to act with the authority of the Board. The delegation of the duty or duties shall be specific and limited in scope, time and type of authority. Each committee shall have three (3) or more members, a majority of which must be Directors.

ARTICLE IX **OFFICERS OF CORPORATION**

Section 9.1. Titles and Appointments of Power. The officers of the Water Association shall be appointed by the Water Board from among the Directors of the Water Association. The officers shall consist of a President, a Vice-President, a Secretary and a Treasurer. An officer may concurrently hold two (2) offices, except that the President may not also hold the office of Secretary. The Water Board may also appoint such other officers as it may deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Water Board.

Section 9.2. Appointment and Term. The appointment of officers shall take place annually at the first meeting of the Water Board following the annual meeting of the Members. The term for the officers shall be one (1) year, or until their successors are duly appointed and qualified, unless said officers shall resign or shall be removed or otherwise disqualified to serve.

Section 9.3. Vacancies. A vacancy in any office may be filled by appointment by the Water Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced, or until his/her successor is duly appointed and qualified.

Section 9.4. President. The President shall be the principal executive officer of the Water Association and shall, in general, supervise and control all of the business and affairs of the Water Association. The President shall preside at all meetings; shall sign, with the Secretary, or any other proper officer of the Water Association authorized by the Water Board, any leases, deeds, mortgages, bonds, contracts or other instruments which the Water Board has authorized to be executed; and, in general, shall perform all duties incident to the office of President and such other duties as may be prescribed by the Water Board.

Section 9.5. Vice-President. The Vice-President shall perform the duties of the President in the President's absence or in the event of death, inability or refusal to act, and when so acting shall have all of the powers and be subject to all of the restrictions placed upon the President. The Vice President shall also perform such other duties as may be prescribed by the President or the Water Board from time to time.

Section 9.6. Treasurer. The Treasurer shall have charge of and be responsible for all funds and securities of the Water Association; receive and give receipts for monies received by the Water Association from any source whatsoever,

deposit all such monies in the name of the Water Association in such banks, trust companies or other depositories designated by the Water Association from time to time, and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the President or by the Water Board.

Section 9.7. Secretary. The Secretary shall record the votes and keep the minutes of the meetings of the Water Board and of the Members in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the Water Association records and of the Seal of the Water Association, if any, and keep a register of the mailing addresses of each Member as furnished to the Secretary by such Member; and, in general, perform all duties incident to the office of Secretary, and such other duties as may be prescribed by the President or the Water Board from time to time..

Section 9.8. Compensation. The officers of the Water Association may be compensated for as determined by the Water Board in its sole business judgment.

ARTICLE X **RECEIPT OF NON-CORPORATE ASSETS**

The membership of the Board of Directors of the Water Association may accept on behalf of the Water Association any contribution, gift, bequest or devise for general purposes or for any special purpose of the Water Association.

ARTICLE XI **BOOKS AND RECORDS**

Section 11.1. Books and Records. The Water Association shall keep correct and complete books and records of account and shall also keep minutes of the meetings of the Members, the Water Board and all committees having any of the authority of the Water Association, and shall keep at its principal office a record giving the names and addresses of the Members entitled to vote. The Water Association shall also keep and maintain a record of all fees charged and payments made by each Member for water service provided by the Water Association. All books and records of the Water Association may be inspected by any Member or Member's agent or attorney for any proper purpose at any reasonable time.

Section 11.2. Rules and Regulations. The Water Board shall have the right and power to make rules and regulations for the general welfare of the Water Association.

ARTICLE XII **FISCAL YEAR**

The fiscal year of the Water Association shall be the calendar year.

ARTICLE XIII
BUDGET, ASSESSMENTS AND CHARGES

Section 13.1. Preparation of Budget. Not less than thirty (30) days before the end of the fiscal year, the Water Board shall prepare a budget for the Water Association for the following year. In preparing the budget, the Water Board shall estimate the common expenses of the Water Association to be paid during the year, make suitable provision for accumulation of reserves, and shall take into account any surplus or deficit carried over from the preceding year and any expected income to the Water Association. If, during the year, the budget proves to be inadequate for any reason, including nonpayment of any Member's assessment, the Water Board may prepare a supplemental budget for the remainder of the year.

Section 13.2. Purpose of Fees and Charges. The fees and charges levied by the Water Association shall be used for the costs of constructing, maintaining, operating, repairing and replacing the water system, including, without limitation, wells, pumps, lines, valves, storage tanks and other associated facilities and equipment, and for other reasonable needs of the water system and the Water Association as deemed appropriate by the Water Board.

Each such fee or charge of the water system together with any collection costs, including but not limited to any interest, costs or attorneys' fees, shall also be a personal obligation of the Member whose name is on the assessment rolls for the particular Lot. Fees and charges of the water system shall constitute a lien against the non-paying Member's Lot to which the fees and charges apply, and, upon the request of the Water Board, may be treated as an assessment of the homeowners association governing the Lot, pursuant to the applicable declaration of covenants, conditions & restrictions. No Member is exempt from any liability hereunder based on a waiver of use or enjoyment or by abandonment of the Member's Lot.

13.2.1. Payments. All fees and charges shall be due at a time specified by the Water Board and may be enforced in any manner allowed at law and/or as provided in these Bylaws.

13.2.2. Failure to Make Payment. If a Member fails to pay all fees and charges when due, the Water Board in its sole discretion may suspend or disconnect water service to the applicable Lot. Each Member shall release and hold harmless the Water Board and the Water Association from any claim of liability or damages arising out of such suspension or disconnection of water service.

Section 13.3. Fees and Charges Against The Originating Member's Multiple Lots. The Originating Member is entitled to membership in the Water Association for each Lot owned by it and shall be required to pay all fees and charges set by the Water Board for each such Lot. However, the Originating Member shall only pay one-half (1/2) of the regular fees and charges for any Lot on which there is no permanent building and shall not be required to pay any standby fees. All other Members, including Members owning more than one (1) Lot, shall be

required to pay the full amount of all fees and charges applicable to each Lot owned by such Member,

Section 13.4. Late Fee For Failure to Pay. If any fee or charge, or portion thereof, is not paid and received by the Water Association or its designated agent within fifteen (15) days after the due date, an automatic late charge equal to one percent (1%) of the amount due and owing shall be assessed for each month until all fees and charges are paid. The Water Association may record a claim of lien against the Lot for such fees, charges and late fees, and such claim of lien shall be prior and superior to all other liens except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any first mortgage of record (meaning any recorded mortgage or deed of trust with first priority over other mortgages or deeds or trust) made in good faith and for value and recorded prior to the recording of the lien. Such lien may be enforced by foreclosure of the subject Lot in accordance with Idaho law.

ARTICLE XIV **ENFORCEMENT OF BYLAWS**

The Water Board shall be responsible for the enforcement of the Bylaws. The definition, duties and rights specified in the Bylaws shall guide the management of the Water Association and shall guide in the interpretation of the Articles of Incorporation. Nothing contained herein shall be interpreted to prohibit the Water Board from delegating a portion of or all of the duties set forth herein to any properly authorized person or agency.

ARTICLE XV **SEAL**

The Water Board may acquire a corporate stamp, which shall be circular in form and shall have inscribed thereon the name of the Water Association, the state of its incorporation and the words "Corporate Seal."

ARTICLE XVI **NOTICES**

Any notice permitted or required to be given by law, these Bylaws, the Articles, the Rules and Regulations or other documents governing the affairs of the Water Association (collectively "Documents") may be delivered either personally or by mail, or as otherwise specified in such law or Document. If delivery is by mail, it shall be deemed to have been given upon deposit of the notice in the United States mail, postage prepaid, addressed to each person at the current address on record with the Secretary of the Water Association or addressed to the Lot address if no address has been given to the Secretary.

ARTICLE XVII DEADLOCK

If the Directors are equally divided and cannot agree on any issue, then the matter shall be put to the Members for a vote. If the Members are so divided that a Water Board cannot be elected, or internal dissension prevents the normal business of the Water Board, then the disagreement shall be resolved by the toss of a two-sided coin. Each side of the deadlock shall be represented by a side of the coin. The corporate counsel shall then toss the coin into the air and allow the coin to fall onto a flat surface. Whichever side of the deadlock was represented by the up side of the coin shall be enacted by the Directors or Members, as the case may be. In the event that the deadlock cannot be separated into two sides of an issue, then the matter shall be resolved by alternative dispute resolution as described in the Rules and Regulations.

ARTICLE XVIII INDEMNIFICATION

Section 18.1 Directors and Officers. Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of this Water Association or, being or having been such a director or officer, is or was serving at the request of this Water Association as director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise (including service with respect to employee benefit plans) shall be indemnified and held harmless by this Water Association to the maximum extent and under all circumstances permitted by applicable law as then in effect, against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith. Each such person shall be so indemnified regardless of whether the basis of such proceeding is alleged action in any official capacity as a director, officer, employee or agent or in any other capacity while serving as a director or officer and shall inure to the benefit of such person's heirs, executors and administrators. No indemnification shall be provided under this Article to any such person if this Water Association is prohibited by the non-exclusive provisions of the then applicable Idaho statutes from paying such indemnification. The right of indemnification conferred in this section shall be a contract right and shall include the right to be paid by this Water Association for reasonable expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expense in advance of the final disposition of a proceeding shall be made to or on behalf of a director or officer only upon delivery to this Water Association of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article or otherwise, which undertaking may be unsecured and may be accepted without reference to financial ability to make repayment.

Section 18.2 Rights Non-Exclusive. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles, Bylaws, agreement, vote of Members, vote of disinterested directors or otherwise.

Section 18.3 Director Liability. No director of this Water Association shall be personally liable to this Water Association or its Members for monetary damages for conduct as a director, except for liability of a director: (i) for acts or omissions which involve intentional misconduct by the director or a knowing violation of law by the director, or (ii) for any transaction from which the director has or will personally receive a benefit in money, property or services to which the director is not legally entitled. If the Idaho law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of each director of this Water Association shall be eliminated or limited to the fullest extent permitted by such law, as so amended. No repeal or modification of this section shall adversely affect any right or protection of any director of this Water Association existing at the time of such repeal or modification.

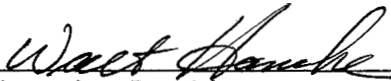
ARTICLE XIX **AMENDMENTS TO BYLAWS**

These Bylaws may be amended or new Bylaws adopted at any regular meeting or special meeting of the Members called for such purpose, at which a quorum is present, by the affirmative vote of a majority of the voting power of the Members present at such meeting.

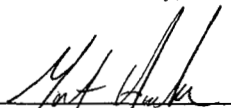
ADOPTION OF BYLAWS

We, the undersigned, being all of the Directors of the Cougar Bay Water Association, Inc., do hereby assent to the within and foregoing Bylaws and hereby adopt the same as the Bylaws of the Cougar Bay Water Association, Inc.


Executed this 1 day of March, 2005.



Walt Haneke, President



Mathew Haneke, Vice President

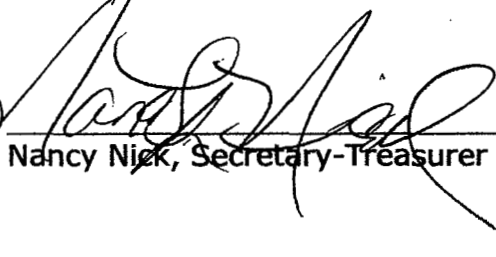


Nancy Nick, Secretary-Treasurer

I, the undersigned, the duly elected and acting Secretary of the Cougar Bay Water Association, Inc., do hereby certify:

The foregoing Bylaws were adopted as the Bylaws of said Water Association on March, 2005, and that the same do now constitute the Bylaws of said Water Association.

Executed this 1 day of March, 2005.



Nancy Nick, Secretary-Treasurer