

**BY-LAWS OF
MURPHY FLATS WATER COMPANY
MURPHY, IDAHO**

**ARTICLE I
Officers**

Section 1. The officers of this corporation shall consist of a president, secretary, and a treasurer. The office of secretary and treasurer may be combined. They shall be chosen from among the directors, appointed by the Board of Directors and shall hold their offices for one year from the date of their appointment or until their successors are so appointed.

**ARTICLE II
Officers, Their Duties and Compensation**

Section 1. The president shall preside at all of the meetings of the stockholders and of the Board of Directors, and have general charge of the affairs of the corporation; sign certificates of stock and all contracts or other office documents or notices, when not otherwise provided by the Board of Directors; employ, direct and discharge such employees as may be necessary in the conduct of the business of the corporation, not otherwise specifically provided for in these By-Laws; call the Directors together whenever he/she deems is necessary; and perform such other duties as may be imposed upon him/her by the Board of Directors or by these By-Laws.

Section 2. It shall be the duty of the secretary-treasurer to keep a record of the proceedings of the meetings of the stockholders and the Board of Directors; to countersign shares of stock; to keep in custody the seal of the corporation; to countersign or issue notices of meetings of the stockholders and directors as may be provided for elsewhere in these minutes; to attest all contracts, documents, and notices which may be executed on behalf of the corporation; and to keep in custody all documents, contracts, records, books and papers of the corporation, and shall perform such other duties as are usual and incident to the office of the secretary of corporations and such other duties as the Board of Directors may require. In addition, the Secretary and Treasurer will collect all assessments, tolls, rentals, etc., that are levied; will have custody of all the funds of the corporation, and will deposit the same in such bank or banks as may be designated by the Board of Directors. All disbursements shall be made by the Secretary-Treasurer upon order of the president or the Board of Directors. The Secretary and Treasurer shall keep accurate and complete records of all receipts, expenditures and disbursements, and shall perform such other duties as are usual and incident to the office of Secretary-Treasurer of corporations and such other duties as the Board of Directors may require. At each annual meeting of the stockholders, the Secretary-Treasurer shall submit a complete statement of accounts for the past year. He/she shall make such other statements of the financial affairs of the corporation as the Board of Directors may require.

Section 4. The secretary-treasurer and President shall receive such compensation as may be provided by the Board of Directors and stockholders.

ARTICLE III Directors, Their Duties and Compensation

Section 1. The corporate powers, business and property of this corporation shall be exercised, conducted and controlled by a Board of three (3) Directors, one being the Secretary-Treasurer, one being the President

Section 2. The initial Directors of this Corporation shall hold office for one year. Thereafter, the Directors of this corporation shall hold office for one year and shall be elected annually at the annual meeting of the stockholders. All directors must be record stockholders of the corporation or be a holder of an "irrevocable proxy coupled with an interest". Any Director may volunteer to hold multiple terms, but the stockholders must elect such volunteering Director for each of his/her terms.

Section 3. The Board of Directors shall have the power to appoint and remove at pleasure all employees and agents of the corporation, prescribe their duties, fix their compensation and require security for the faithful performance of their duties; to make rules and regulations for the government of the affairs of the corporation consistent with the laws of the State and these By-Laws; to call meetings of the stockholders when they deem it necessary, mailing notice of said meetings at least two weeks in advance thereof, in a manner herein provided; and they shall call meetings of the stockholders at any time upon a written request for that purpose of persons representing one-third (1/3) of the shares of the capital stock outstanding.

Section 4. The Board of Directors shall have the power to cause to be issued shares of the capital stock of the corporation to the stockholders as set forth in the articles of incorporation and these bylaws. Stock will only be issued to landowners whose lands can be irrigated by the water rights, and irrigation diversion and delivery system owned by the corporation.

Section 5. It shall be the duty of the Board of Directors to present a full statement at the regular annual meeting of the stockholders showing in detail the assets and liabilities of the corporation and the general condition of its affairs, and a similar statement shall be presented at any other meeting of the stockholders when requested by persons representing at least one-third (1/3) of the shares of the capital stock of the corporation.

Section 6. No contract by any officer of the corporation will be valid without the previous authorization of the Board of Directors, or subsequent approval of same.

Section 7. It shall be the duty of the Board of Directors to appoint, if necessary, a manager, and such other employees as they may deem necessary, or to combine such duties as is

appropriate, and they may at that time or any other time when in session, issue instructions and prescribe duties for said water manager and employees, in addition to those provided for in these By-laws. The Board of Directors will act as Water managers when one is not appointed.

Section 8. It shall be the duty of the Board of Directors at their periodic meetings each year to ascertain and determine the amount of money necessary for the transaction and conduct of the corporation's business and the payment of its outstanding maturing obligations (including all obligations for construction charges or operation and maintenance charges owing), all as shall be required for the twelve month period commencing on the first day of the following January. All construction charges and any repair and maintenance charges shall be assessed equally per share against said stock and against all the lands where the water represented by such stock is appurtenant. However, the Board of Directors shall have discretion to set assessments at differing monetary amounts for different shares, depending upon the anticipated operating costs to deliver water pursuant to such shares. Instances in which the Board of Directors may set assessments at differing monetary amounts include, but are not limited to, the following: when water pursuant to certain shares will not be used on the lands represented by such shares; when the type of crop that is to be grown upon the lands represented by such shares differs from other crops grown on lands served by the Company's water system; or in any other instance when the anticipated operating costs for certain shares are expected to vary from the norm as determined by the Board of Directors.

Section 9. As soon as such anticipated charges for the subsequent year have been determined, and broken down so as to comply with this paragraph, but in no case any later than January 1 of the year for which such anticipated charges have been determined, the Board of Directors shall cause notice of such assessments to be mailed to each of the shareholders at the addresses of the shareholders as shown on the books of the corporation. The assessments shall be due on or before the 15th of February each year before the main irrigation season. All assessments not paid when due shall accrue interest payable at the rate of 1% per month. **No irrigation water shall be delivered to any stockholder until all charges and assessments owing to the company have been paid.** The corporation shall be entitled to a lien against the stock and the land to which the water represented thereby is appurtenant for all assessments of whatever kind of nature and shall be entitled to foreclosure said lien against the stock and the land where the water represented by said stock is appurtenant for nonpayment thereof in accordance with Idaho Code Section 42-2202 - 42-2209 and 42-1304.

ARTICLE IV Meetings of Directors

Section 1. A regular meeting of the Board of Directors for the transaction of any business shall be held as needed.

Section 2. Special meetings of the Board of Directors may be called at any time by order

MURPHY FLATS WATER COMPANY BY-LAWS - Page 3

of the president, or by a majority of the Board signing the order. Upon receipt of the order for a special meeting of the Board of Directors, the Secretary-Treasurer shall immediately notify each of the said Directors of the time and place in which said special meeting is to be held pursuant to such order, said order to be given at least two days prior to the time of said meeting, except where a special contingency shall be noted on the minutes of the special meeting.

Section 3. A majority of the Directors shall constitute a quorum at any regular or special meeting of the Board of Directors.

Section 4. All meetings, either regular or special, of the Board of Directors, shall be held in a location agreed upon by a majority of the Directors.

Section 5. When all of the Directors are present at any Directors' meeting, however called or notified, and sign a written consent thereto upon the record of such meeting, the acts thereof shall be as valid as if at a meeting legally called and for which notification shall have been duly given or if they thereafter all ratify said act or acts.

Section 6. Any regular or special meeting of the Board of Directors may be adjourned from day to day, or from time to time, for want of a quorum and such adjournment and the reason therefor shall be recorded in the journal of the proceedings for such meeting, and no further notice of any such adjourned meetings shall be required.

ARTICLE V

Vacancies on Board of Directors

The Board of Directors may appoint a new board member to fill a vacancy. However, such appointment shall end at the end of the term of the previous elected board member.

ARTICLE VI

Stockholders, Their Rights and Duties

Section 1. The annual meeting of the Stockholders of this company shall be held between January 1 - March 15, at which time there shall be chosen from the stockholders in said company, three persons to be the directors of the company for the ensuing year. A notice of such meeting either written or printed or partly written, and partly printed shall be mailed to each stockholder to the post office address of that shareholder as listed in the books of the corporation, ten days before such meeting.

Section 2. Special meetings of the stockholders of this Company may be called at any time by the President. It shall be the duty of the President to call a special meeting of the stockholders whenever requested to do so by a written request of stockholders representing at least 33 1/3 percent of the stock of the corporation. If the President on such request neglects to call

such meeting for a space of fifteen days, then the stockholder(s) making the request may call a special meeting. Notice of such shall be given by mailing a notice thereof to each stockholder of the company at least ten days before such meeting. Such notice shall state briefly the object of the meeting and no business other than for which the meeting was called shall be considered at such special meeting.

Section 3. All meetings of the stockholders, either special or regular, shall be held at such suitable place as may be designated by the officers of the corporation, said place to be clearly stated in the notice calling the meeting hereinbefore referred to.

Section 4. At all regular annual and special meetings or any adjourned meeting thereof, the stockholders present in person or represented by proxy shall constitute a quorum for the transaction of business and shall have the power by a majority vote of the stock so represented to elect Directors and transact any other business of the corporation proper to be done.

Section 5. Before any voting shall be held in stockholders' meetings, the Secretary-Treasurer shall prepare from the stock book of the corporation a list of the names of the stockholders entitled to vote as shown by such book and all those having authority to vote the stock of theirs shall present the same to the President, who shall thereupon place beside the names of those entitled to vote as shown by said list, figures representing the number of votes to which each shall be entitled. The list shall be prepared in accordance with the provisions of the following section.

Section 6. Every stockholder shall have the right to vote in person or by proxy for each Director's position on the Board. Each stockholder is entitled to cast a number of votes equal to the number of shares of stock owned by him or her in the election for each Director's position. Otherwise, each shareholder is entitled to one vote for each share owned as to each matter on which Shareholders are entitled to vote.

Section 7. All stockholders shall comply with the rules and regulations of the corporation with regard to the operation of the company.

ARTICLE VII

Manager

The Directors are authorized, but not required to employ a manager for the corporation and may fix his/her term of employment and compensation. Such manager shall perform such service as the Directors may from time to time request and there may be delegated to said manager such powers and duties otherwise belonging to and required by the Board of Directors or president, not inconsistent with the laws of the State of Idaho, as the said Board of Directors may from time to time delegate. Said manager may be either an officer or a Director of the Company, and shall be compensated as determined by the Board of Directors.

ARTICLE VIII
General Provisions

Section 1. Any person aggrieved by any action of the Board of Directors, shall make complaint in writing to the Board of Directors within five days of the time of the commission of the alleged wrong, and the complaint must be filed with the Secretary-Treasurer of the Board at his/her office. Whereupon, it shall be the duty of the Secretary-Treasurer to notify the president that such complaint has been filed, who shall take appropriate action thereon.

Section 2. Any Director may be removed in the manner provided by the laws of the State of Idaho.

Section 3. The Directors shall have the power from time to time to borrow such money as may be necessary in the conduct of the business of the corporation, upon such terms and for such length of time as they may determine.

For money borrowed the Directors shall give promissory notes of the corporation, signed in the name of the corporation by the President, attested by the Secretary-Treasurer.

Section 4. Each stockholder is entitled to a perpetual right to use water from said irrigation system, less appropriate transmission losses, upon the land described in his stock certificate during the irrigation season of each year in accordance with the rules and regulations of the company, the water rights which appertain to said described land and are evidenced by his stock certificate providing all appropriate assessments are paid currently. The period of said irrigation season shall be fixed by the Board of Directors. Water may be used for irrigating said land and for any beneficial use authorized by the water rights. The corporation shall have the right to make such rules and regulations concerning the delivery of water as it may deem necessary, provided however, that such rules and regulations as are adopted shall not conflict with the laws and regulations of the State of Idaho concerning the delivery of water.

Section 5. The corporation shall not be liable for scarcity of water caused by unlawful diversion, forcible entry, unusual cold weather, drought or any accident, but at all times shall use ordinary care and diligence in protecting its irrigation and diversion system and keeping the same in proper operation and repair. The corporation shall not be liable for loss or damage caused by seepage or breakage resulting from cloud bursts, land slides, obstructions, accidents, vandalism or breaks in any of its canals, ditches, pipelines or pumps which could not be prevented by the exercise of ordinary care and diligence. The corporation shall have the right to close off the water at any point or points at the end of the irrigation season or at any other time when urgent necessity requires, but during the irrigation season shall restore the water in the diversion and irrigation system as speedily as possible under the nature of the case.

Section 6. Any shareholder who willfully adjusts, to their advantage, or willfully causes

destruction to components of the irrigation system, anytime of the year, shall forfeit their shares or pay a fine at the discretion of the Board of Directors plus complete repair of damages to the Murphy Flats Water Company. The board of directors will make the decision on which course of action to take. The Murphy Flats Water Company will have the authority to sell these shares to present share holders on a bid basis.

Section 7 No water user shall be entitled to demand or receive water through the corporation's irrigation and diversion system whenever his/her assessment is due and unpaid, and it shall be the responsibility of the Board of Directors to withhold such water while the delinquency exists, except upon order of the Board of Directors who may authorize and cause the water to be provided, providing the water user shall give such security for payment of the assessment as it is required by the Board of Directors.

Section 8. No person shall prevent free access of any personnel authorized by the Board of Directors to repair, maintain or operate the irrigation and diversion system to easements therefor. Nor shall any person construct any obstruction on any easements held by the corporation in an effort to either interfere with, or adversely possess said easement. (Idaho Code 42-1208)

Section 9. The books and papers in the office of the secretary-treasurer of the corporation shall be subject to the inspection of the Board of Directors and of any stockholder of the corporation upon reasonable request at a date and time set by the Secretary/Treasurer of the Corporation.

Section 10. No construction or installation of any implements, whether for irrigation purposes or some other purpose, can take place on any of the easements held by the Murphy Flats Water Company without prior approval of the Board of Directors. Interested parties must send in an application for review, and bear all cost including any necessary special easements across Murphy Flats Water Company's existing easements.

Section 11. The Board of Directors may, at its discretion, permit the delivery and distribution of water to lands to which the water rights owned by the Company are appurtenant, even if the owner of such lands is not a shareholder in the Company. Provided, however, that such landowner pays the costs (including any administrative costs) incurred or to be incurred, as determined by the Board of Directors, to deliver such water to such lands

ARTICLE IX Capital Stock

Section 1. Certificates of stock shall be of such form and device as the Board of Directors may direct, and such certificates shall be signed by the president and the secretary-treasurer, and express on their faces their number, date of issuance, number of shares, and the

person to whom issued.

Section 2. Several certificates may be issued to the same person or persons, provided that in the aggregate they do not exceed the number of shares belonging to such person or persons. The certificate books shall contain a margin on which name or names of the person or persons expressed in the corresponding certificates shall be recorded.

Section 3. Stock certificates shall be issued to the shareholders of this corporation upon the grant by deed of such shareholder's interest in water rights that are appurtenant to the shareholder's land comprising the Murphy Flats Farm, together with the irrigation system, and easements therefor. Such stock shall be issued as follows: each shareholder who grants by deed to the corporation their interest in the above-described water rights, irrigation system and easements therefor shall be entitled to receive one (1) share of stock for each acre owned by such shareholder to which such water rights are appurtenant.

Section 4. Shares of the capital stock of the corporation may be transferred at any time by the holders thereof, or by the power of attorney, or by legal representation, and such transfers shall be made by endorsement on the certificate of stock and by surrender of the same, provided, that such transfers shall not be valid except as between the parties thereto, until the same shall have been noted in proper form upon the books of the corporation and until all indebtedness to it or any other charges authorized by these By-laws of the person in whose name the stock is registered, shall have been paid. The surrendered certificate shall be canceled by the secretary-treasurer before a new one shall be issued in lieu thereof and the secretary-treasurer shall preserve the canceled certificate as a voucher. No charge shall be made for transfer of stock.

Section 5. Proposed transfers of Company shares must be approved by the Board of Directors before they become final.

ARTICLE X

Seal

Section 1. The corporate seal of this corporation shall have engraved on it in the center the words "Corporate Seal" and in a circle around the edge, the full name of the corporation, and the name of the State.

Section 2. The corporate seal of this corporation shall always be kept in the custody of the secretary-treasurer.

ARTICLE XI

Alteration of By-Laws

These By-Laws may be altered, amended, replaced or repealed upon a 2/3 majority vote.

by the Murphy Flats Water Company shareholders.

ARTICLE XII
Possession of By-Laws

These By-Laws shall always remain in the possession of the secretary-treasurer of the corporation.

CERTIFICATE

I, the undersigned secretary-treasurer of the MURPHY FLATS WATER COMPANY, do hereby certify that the foregoing code of the By-Laws was regularly adopted by the shareholders' organizational meeting of said corporation, held on the _____ day of _____ 2002.

Secretary/Treasurer