

BY-LAWS

of the

Nevada Creek Water Users' Association

ARTICLE I

STOCKHOLDERS MEETING

SECTION 1. PLACE OF MEETING. Meetings of the Stockholders of this Association shall be held at the principal office or place of business of the Association, in the town of Belleville, County of Powell, Montana.

SECTION 2. STOCKHOLDERS MEETINGS. Meetings of Stockholders both regular and special shall be called by notice, given the Secretary, setting forth the time and place of such meeting by publication thereof, at least once a week, for two weeks in a newspaper of general circulation published in the County of Powell, State of Montana, the first publication thereof, shall be at least fifteen (15) days and not more than thirty (30) days prior to the day of the meeting, or by written or printed notice signed by the Secretary, delivered personally to each stockholder, or by mail addressed to him at his last known place of residence, at least ten (10) days prior to the date of such meeting. If the meeting be a special called meeting, the object for which it is called, shall be stated in such notice.

SECTION 3. DEFERRED ANNUAL MEETING. If for any reason the regular annual meeting of the stockholders shall not be held on the day herein provided, such meeting may be called by the President or on order of the Board of Directors, upon such notice as herein prescribed, at any time thereafter and at such time, may be held with the same effect and the same proceeding had as to election of Directors and other business, as if the meeting has been held on the day prescribed and the Directors in office shall continue in office until such annual meeting is held and their successors elected.

SECTION 4. ANNUAL MEETING OF STOCKHOLDERS. The regular annual meeting of the stockholders shall be held at the office of the Association in the town of Belleville, County of Powell, State of Montana, on the fourth Wednesday of November of each year.

SECTION 5. QUORUM. A majority of the stock issued and outstanding represented by shareholders present either in person or by proxy shall be necessary to constitute a quorum for the transaction of business at all meetings.

SECTION 6. PROXIES. At any meeting of Stockholders, each shareholder shall be entitled to cast one vote for each share of stock of which he has been the owner of record, for at least ten (10) days prior to such meeting. Such votes may be cast in person or by proxy. Every proxy shall be in writing, signed by the Shareholder and filed with the Secretary.

SECTION 7. ELECTION OF DIRECTORS. At each annual meeting of the Stockholders, they shall elect by plurality vote, by ballot, the Board of Directors as constituted by the Articles of Incorporation and these By-Laws. In all elections for Directors each stockholder shall have the right to vote in person or by proxy, the number of shares standing in his name, for as many persons as there are directors to be elected, or to cumulate said shares and give one candidate as many votes as the number of directors multiplied by the number of his shares of stock shall equal, or to distribute them on the same principle among as many candidates as he shall deem fit.

SECTION 8. ADJOURNMENT. If at any such meeting, a majority of the stock is not represented, the minority shall have the power to adjourn such meeting, either finally or from day to day, until a majority is represented.

SECTION 9. ORDER OF BUSINESS. At such meetings of the stockholders the following order of business shall be observed, as far as consistent with the purpose of the meeting.

1. Reading and approval of the minutes of the preceding meeting.
2. Report of Officers--President--Secretary Treasurer and Manager.
3. Report of Committees.
4. Election of Directors.
5. Unfinished Business.
6. New Business.

ARTICLE II

POWERS AND DUTIES

SECTION 1. DIRECTORS. The corporate power of this Association and the general supervision and management of its property and affairs shall be vested in and executed by a Board of Directors, who shall (except those named in the Articles of Incorporation) be elected by the Stockholders of the Association at their regular annual meeting, except as in these By-Laws otherwise provided. The directors shall have full power and authority to carry on any business, and exercise any and all power conferred upon the Association by its Articles of Incorporation, and without any further or special direction or authority from the Stockholder.

SECTION 2. ELIGIBILITY. No person shall be elected a member of the Board of Directors unless at the time of his election, he is a bona fide stockholder of the Association. If at any time during the term of office of any director, he shall cease to have the qualifications prescribed, such office shall become vacant.

SECTION 3. TERM OF OFFICE. Members of the Board shall enter upon their duties at the next meeting of the Board after their election and shall

hold their offices for one year and until their successors are elected and qualified.

SECTION 4. VACANCIES. Vacancies in the Board of Directors shall be filled until the next election by the remaining members of the Board electing new Directors to fill said vacancies and such new directors so elected shall hold office until the end of the term for which his predecessor in office was elected for and until his successor is elected and qualified.

SECTION 5. COMPENSATION. Members of the Board, shall receive no compensation for their services as directors, unless specially allowed by the Board and approved by the State Water Conservation Board.

SECTION 6. REMOVAL OF DIRECTOR. Three-fourths of the Stockholders of the Association may, at any time remove any director from office and elect another to succeed him at any meeting, notice whereof shall be given as provided by these By-Laws,

SECTION 7. REGULAR MEETINGS. The Board of Directors may by resolution at any time establish the time of regular meetings of the Board, and if this be done no notice of such meetings need be given, unless in case of proposed alterations, amendments or repeal of By-Laws as hereinafter provided.

SECTION 8. SPECIAL MEETINGS. Special meetings of the Board may be called at any time on the order of the President, or if there be none, on order of the Vice-President; or if there be none on the order of two directors by written notice of such meeting, signed by the secretary, specifying the time and place of such meeting deposited in the Post Office at Helleville, Montana, addressed to each member of the Board at his last known place of residence, at least two days prior to the date of such meeting, and no other notice of such meeting shall be required, but personal delivery of such notice shall be in all cases equivalent to mailing same, and no member present at such meeting can object thereto for want or lack of sufficient notice to himself.

SECTION 9. QUORUM. A majority of the Board of Directors shall constitute a quorum for the transaction of business but a less number may adjourn any meeting finally or from day to day.

ARTICLE III

POWERS OF THE BOARD OF DIRECTORS

SECTION 1. MAY DELEGATE AUTHORITY. The Board of Directors may from time to time delegate such authority as they deem necessary, or proper, to officers or agents of the corporation or to any one or more of its members.

SECTION 2. CALL SPECIAL MEETINGS OF STOCKHOLDERS. The Board of Directors may call special meetings of the stockholders on notice as here-

inbefore provided, and they shall at any time call such meetings upon the written request of stockholders representing one-half, or more of the Capital Stock issued and outstanding of the corporation.

SECTION 3. TO MAKE RULES. The Board shall have the power to make, publish and enforce rules and regulations concerning the distribution, use, and applications of the water under its control, subject at all times to and not inconsistent with the Articles of Incorporation, or the By-Laws, or with the Federal or State laws applicable thereto and the rules and regulations established thereunder, and subject to the approval of the State Water Conservation Board.

SECTION 4. TO TAKE LEGAL PROCEEDINGS. The Board of Directors shall have the power, in the name of the Association, to prosecute, defend and compromise all law-suits; to make all contracts, in the name of the Association, necessary and proper for the conduct of the affairs and the carrying on of the business of the Association subject to all limitations and regulations prescribed by the Articles of Incorporation or by the by-laws.

SECTION 5. TO MAKE ASSESSMENTS. The Board of Directors shall have the power to estimate, make and levy all assessments, against the stockholders of this corporation.

ARTICLE IV

DUTIES OF DIRECTORS

SECTION 1. MINUTES. The Board shall keep or cause to be kept, a record of its transactions which shall at all times remain in the office of the Association and shall, during office hours be open to the inspection of the shareholders or their properly authorized agents.

SECTION 2. The Board at each annual meeting of the stockholders and at any special meeting when required by such meeting, shall make a full and true report of its affairs, business, assets and liabilities of the Association so as to show the true condition of its affairs.

SECTION 3. SUPERVISION. The Board shall supervise the business of the Association and the actions of its officers, agents, and employees and in regard thereto, and shall see that all books are kept and all reports and statements are made and filed, which are, or may be required by law, the Articles of Incorporation, the By-Laws or by any Contract or Agreement executed by the Association with the State Water Conservation Board.

SECTION 4. ANNUAL REPORT. The Board of Directors annually within twenty days (20) from and after the first day of October, shall make a report which shall state the amount of the capital, proportion thereof actually paid in, the amount of existing liabilities, which report shall be signed by the president and a majority of the Directors and shall be verified by the oaths of the President, Vice-President or Secretary of the Association, and publish and file the same as required by law.

SECTION 5. KEEP MONEYS. The Board shall cause all moneys of the Association to be safely kept or deposited in such depository as they may direct.

SECTION 6. ISSUE CERTIFICATES. The Board shall cause to be issued to the stockholders the certificates of stock, to which they are or may be entitled. Certificates of stock may be issued to persons upon their execution of a subscription note for the par value thereof, and the owners of record of certificates so issued shall be deemed stockholders for all the purposes hereof.

SECTION 7. DETERMINE COMPLAINTS. The Board shall hear and determine complaints of shareholders of non-service or of improper service of distribution of water or of improper performance of duty by any employee of the Association relative to the distribution of water.

SECTION 8. BY-LAW AFFECTING RIGHTS. The Board shall not pass or enforce any By-Laws which shall interfere with or affect any existing vested right of any member of this Association to the use of water for irrigation.

ARTICLE V

OFFICERS

SECTION 1. OFFICERS. The executive officers of this Association shall be a President, Vice-President, Manager, Treasurer and Secretary, who shall be elected by the Board of Directors. The officers elected at the first meeting of the Directors, after the organization of the Association shall hold office until the next annual meeting of the Directors, and thereafter the officers elected shall hold office for one year and until their successors are elected and qualified. In case of vacancy by reason of death, removal, disqualification or otherwise the Board of Directors, may elect a successor to hold office for the unexpired term. Any two of said officers, except that of President and Vice-President, may be held by the same person.

SECTION 2. COMPENSATION OF OFFICERS. The President and Vice-President, as such shall receive no compensation for their services, but shall be allowed their necessary and actual expense when engaged in the business of the Association. The Secretary-Treasurer and Manager shall receive such compensation as the Board of Directors may prescribe. The Directors of the Board, may when in the discretion of the Board deem advisable receive not to exceed their necessary and actual expenses in attendance of meetings of the Board or when engaged in the business of the Association. Anything contained herein to the contrary notwithstanding no compensation and no reimbursement for necessary or actual expense of officers or Directors shall be allowed by the Board of Directors unless same is approved first by the State Water Conservation Board.

SECTION 3. ADDITIONAL OFFICERS AND AGENTS. The Board of Directors shall appoint such other officers and agents as they shall deem necessary, who shall perform such duties as may be prescribed by the Board of Directors, or the Manager, and the Board may vest the power to appoint

such subordinate officers in the Manager of the Association, provided, however, that no such person shall be appointed with compensation unless such action is approved first by the State Water Conservation Board.

SECTION 4. REMOVAL. All such subordinate officers shall be subject to removal at any time, by a majority vote of the Board of Directors.

ARTICLE VI

DUTIES OF OFFICERS

SECTION 1. PRESIDENT. The President shall be elected from among the members of the Board of Directors. He shall be the Chief Executive Officer of the Association, and, subject to the control and direction of the Board of Directors, shall have the general supervision and management of the business and affairs. He shall call meetings of the Board of Directors whenever he deems it necessary. He shall preside at all meetings of the stockholder, and the Board of Directors and besides his own vote as director, shall have the casting vote in case of a tie vote. He shall sign all certificates of stock, contracts, deeds and other instruments, in writing executed in the name of the Association and shall cause the seal of the corporation to be placed thereon. He shall perform such other duties as may, from time to time, be required by the Board of Directors or By-Laws of the Association.

SECTION 2. VICE-PRESIDENT. The Vice-President shall be elected from among the members of the Board of Directors and in the absence, illness or inability or refusal of the President to act from any cause, shall possess and perform all the duties of that officer. The Vice-President shall also do and perform such other duties as the Board of Directors, may from time to time designate.

SECTION 3. SECRETARY. The Secretary shall be ex-officio Clerk of the Board of Directors. He shall act as Secretary of all Stockholders meetings; attend all meetings of the Board of Directors, and keep a true and accurate record of the meetings of the Board, and of the Stockholders meetings, in a book to be kept for that purpose. He shall have custody of the corporate seal of the Association, shall countersign all certificates of stock, and shall attest all instruments, when directed by the Board or the President so to do. He shall keep such books and records, of the shareholders and directors as are prescribed by law, and such books and records shall be open to the inspection of any member of the Association or his properly authorized agent, at all times during business hours. He shall give due and legal notice of meetings of the stockholders and directors, as provided by the laws of the State of Montana and of the By-Laws and shall do and perform such other duties as may, from time to time be prescribed by the Board of Directors.

SECTION 4. TREASURER. The Treasurer shall receive and be the custodian of and safely keep all moneys and other funds of the Association and shall deposit all moneys in such depositories as may be designated by the Board of Directors. No moneys shall be paid out by the Treasurer except upon

voucher or warrants, drawn on him by the President and Secretary of the Association except upon the order of the Board of Directors recorded in the minutes of the Board. Provided, however, that moneys collected by the Association as rentals, revenues or other charges under water purchase contracts between the Association, the State Water Conservation Board and the water purchasers, or otherwise, shall be deposited and disposed of by the Treasurer in such manner as may be required by any agreement between the Association and the State Water Conservation Board. He shall keep in books belonging to the Association a full, complete and accurate account of all moneys of the Association received and disbursed by him and shall render to the President and Directors, at each regular meeting of the Board, and whenever they request it and at all stockholders meetings, an account of all his transactions as Treasurer and also of the financial condition of the Association. He shall perform such other duties as may be devolved upon him by the By-Laws or direction of the Board of Directors.

SECTION 5. MANAGER. The manager shall have general charge of the property, business and operation of the Association, shall attend to the purchase and sale of all property, supplies, tools and equipment of the Association, and shall supervise and direct all labor, having full power to hire and release at will all employees of this Association, excepting officers and directors; Provided, however, that no employees shall be hired unless the State Water Conservation Board shall have approved first the necessity for such employees and the salaries to be paid to them. He shall keep proper account with all employees, showing the amount due such employees and for what the same is due whether the same be for services rendered or materials furnished. He shall make report to the Board of Directors and President as they may, from time to time require and shall at all times carry out and perform the duties required of him by the President or Board of Directors.

SECTION 6. OFFICIAL BONDS. The Board of Directors shall by resolution require of the Secretary and Treasurer such bonds with sufficient security as they may prescribe and the Board of Directors may by resolution require other officers or agents of the Association to give bond with sufficient security, conditioned for the faithful performance of the duties of their respective office. Neither the President, Vice-President, or Secretary nor any member of the Board of Directors shall be accepted as surety on the bond of the Treasurer.

SECTION 7. ABSENCE OF OFFICERS. In the event of the absence of any officers of the Association or for any other reason that may seem sufficient to the Board of Directors, said Board may delegate such officer's powers and duties, for the time being to any other officer or to any director.

ARTICLE VII

STOCK

SECTION 1. FORM OF CERTIFICATES. Certificates of Shares of the Capital Stock shall be in such form as shall be prepared and approved and shall be signed by the President and Secretary, having the corporate seal

affixed, and shall express on their face, the number, date of issuance, number of shares for which and the person to whom it is issued.

SECTION 2. STOCK BOOK. The Book of stock certificates shall contain a margin opposite to each certificate on which shall be noted the number of the certificate, the date, number of shares and the name of the person to whom it is issued, corresponding to the certificate issued.

SECTION 3. TRANSFER OF STOCK. Certificates of Stock may be transferred and the transfer shall be noted upon the books of the Association to such grantee upon the surrender of the certificate properly endorsed; provided, that except with the consent of the Board of Directors; no transfer of stock shall be made on the books of the Association so long as the owner or owners thereof are obligated in any way to the Association whether such obligation be matured or unmatured or under a subscription agreement or note, or a water purchase contract. The Board of Directors shall not consent to any such transfers of stock on the books of the corporation until such obligations are paid or adjusted to the satisfaction of the Board of Directors and unless such transfer is in connection with an assignment of a water contract where such assignee would be the holder of only one share of stock for each acre foot of water which he is obligated to purchase annually under a water purchase contract or contracts with the Association and the State Water Conservation Board.

SECTION 4. LOST CERTIFICATES. If any certificates be lost or destroyed the Board of Directors may upon proof of such loss, or destruction and upon the giving of a proper and sufficient bond of indemnity, if the Board require it, authorize the issuance of a duplicate certificate to the person entitled thereto.

SECTION 5. SUBJECT TO TERMS OF STOCK SUBSCRIPTION. Each share of the capital stock and the holder thereof shall be subject to the terms and conditions of these By-Laws, the stock certificates and the Subscription and Pledge Agreement to be entered into respecting same. The Association shall not issue stock to, or take a stock subscription from any person who has not entered into a Water Purchase Contract with the Association and the State Water Conservation Board for a number of acre feet of water equal to the number of shares of stock issued and to be issued to him, and who has not entered into a Subscription and Pledge Agreement respecting all such stock.

SECTION 6. NUMBER OF SHARES. The number of shares authorized to be issued by this Association shall be Fifteen Thousand shares of the par value of \$1.00 per share provided, however, that each share of stock shall represent one acre foot of storage capacity available for use and the number of shares issued shall not exceed the number of acre feet of available storage capacity.

SECTION 7. STOCK FORFEITED. Any shares of the Capital Stock which may be forfeited under the provisions of the Stock Subscription Agreement or under the provisions of the Articles of Incorporation or the By-Laws of the Association, shall be cancelled and shall not under any circumstances be renewed, revived or reissued. Other stock in lieu thereof not to exceed

the limit of the total number of shares authorized by the Articles of Incorporation may be subscribed for and issued, subject to all the terms and conditions of these By-Laws and the Articles of Incorporation.

SECTION 8. VESTED RIGHTS. Nothing in the Articles of Incorporation or By-Laws or the fact of becoming a member of this Association shall be construed as affecting or intended to affect or in any way interfere with vested rights of any person to the prior use or delivery of any appropriated waters.

SECTION 9. MEASURING AND REGULATING SUPPLY OF WATER. The manner of delivering, measuring and regulating the supply of water to stockholders, shall be prescribed by the Association, and shall, at all times be under its control, and the Board of Directors of the Association or the Manager thereof, with the consent of said Board, may make such rules and regulations regarding the distribution and delivery of water as in its judgment may appear necessary or expedient for the best interest of the Association, or its stockholders, and the State Water Conservation Board, provided, however, that such rules or regulations shall be approved first by the State Water Conservation Board.

SECTION 10. EXPENSES AND MAINTENANCE. For the purpose of defraying the expense of the Association of whatsoever kind, and of paying the cost of maintenance, management operation and repair of the irrigating system and extensions thereof, the Board of Directors is authorized to levy such tax or taxes, charge or charges, toll or tolls, assessment or assessments, as in the judgment of said Board may be necessary and proper to raise the money or revenues required. All such expenses, taxes, charges, tolls and assessments, shall be apportioned among all the shares of stock, issued by the Association whether or not water has been, is or shall be used by the owner thereof, all such taxes, charges, tolls and assessments shall be payable at the office of the Association, on or before the 1st day of November in each year after water has become available for irrigation purposes and uses to the owner of the stock and upon failure to pay any tax, charge, toll or assessment, when the same becomes due and payable, the Owner of said stock shall not be entitled to the use of any water, so long as such default continues, and the Board of Directors shall not permit water to be furnished or delivered to any delinquent stockholder, or water user while default in the payment of any toll, maintenance charge, assessment, fine or penalty continues, or while in default of any of the covenants or, agreements of the Contract under which his stock was purchased or agreed to be purchased either from this Association or its grantors.

SECTION 11. STATUTORY ASSESSMENTS. In addition to the method provided in these By-Laws for raising revenue for the use of the Association, the directors may levy such assessments upon the stock of the Association as may be provided by the laws of the State of Montana.

SECTION 12. FAILURE TO LEVY ASSESSMENT. As long as the Association is indebted to the State Water Conservation Board of Montana, in the event the Board of Directors of the Association fail to make and levy assessments provided for in these By-Laws then and in that event such assessments may be made and levied by said State Water Conservation Board, with the same

force and effect as if made and levied by the Directors of this Association.

SECTION 13. UNISSUED STOCK. All stock of this Association before Subscription Agreement or sale therefor to intended water users, shall have no voting power, and shall not be subject to any assessment, tax, toll, repair or maintenance charge of any kind made or levied by this Association, but shall, for all purposes, until so sold be regarded as unissued stock.

SECTION 14. DEFAULT IN PAYMENT. When any stockholder of this Association has defaulted in his payments, or any of them, to be made according to the terms of the contract for the purchase of water or of the contract under which his stock or water were purchased, or agreed to be purchased, either from this Association or its grantors, and pursuant to which Subscription Agreement Stock in this Association was issued, or has defaulted in any of the Covenants or Agreements of said Contracts, no carrying service in, nor water from said canal, reservoir and irrigation system shall be furnished or delivered to such shareholder while any default in such payments, Covenants or Agreements continue.

SECTION 15. LIMITATION ON PRIVILEGE TO USE OF WATER. This Association shall not give, grant, bargain or sell the privilege to use any water from said canal, reservoir and irrigation system, or a carrying service of right-of-way for any water in such system to any one not a stockholder of this Association or to any stockholder while in default in the payment of any tolls, charges or assessments levied by the Association, or while in default in any of his payments to be made under any Contract with this Association or its grantors for the purchase of water or shares in said system, or while in default in any of the Covenants or Agreements of any such Contracts for water or shares.

SECTION 16. ADDITIONAL RULES AND REGULATIONS. The Board of Directors of this Association shall have power and authority to make all such rules and regulations as they may deem expedient, concerning the transfer and registration of certificates of stock of this Association; provided that in no event shall any such rules or regulations be made in conflict with the provisions of Section 3 of this Article.

ARTICLE VIII

MISCELLANEOUS

SUBJECT I. SUBJECT TO LAWS. This Association may accept and avail itself, of, or subject itself to the provisions of any law or laws enacted or that may be enacted by Congress or the legislative assembly of the State which may be applicable to Corporations organized for like purposes as this Association. Such acceptance of subjection shall be valid when ratified by at least two-thirds of the shares represented by the votes cast at any annual election or at any special election called for the ratification thereof. Notice of such election shall be given as herein prescribed, stating the purpose thereof.

SECTION 2. SEAL. The seal of this Association shall be a figure of two concentric circles, the outer being two inches and the inner, one and one-half inches in diameter. In the space between the two shall be the words "Neveda Creek Water Users' Association" and the center space shall bear a scroll with the words and figures thereon, "Incorporated 1937, Montana."

SECTION 3. FINES AND PENALTIES. The Board of Directors is hereby authorized and empowered to impose such fines and penalties as it may deem proper for the failure of the shareholders to pay their assessments as they become due, and for violating any of the provisions of these By-Laws or of the rules and regulations adopted for the managements of said canal, reservoir and irrigation system, and for the distribution of water, subject, however, to the prior approval of such fines and penalties by the State Water Conservation Board.

SECTION 4. REPAIR OF CANAL. The Association may shut off the water for the purpose of general or special repair of the dam or canals, or other portion of said irrigation system, and for any other purpose incidental to the conduct of its business, at such time as urgent necessity may require, but shall restore the water as speedily as the nature of the case will permit.

SECTION 5. FISCAL YEAR. The fiscal year or business year of the Association shall begin on the 1st day of January of each year and end on the 31st day of December following.

SECTION 6. WAIVER OF NOTICE. Any shareholder or director may waive any notice required to be given under these By-Laws.

ARTICLE IX

AMENDMENTS

The Articles of Incorporation and the By-Laws in Articles I to IX, inclusive, can be amended only by the Shareholders, at a regular annual meeting or at a special meeting called for that purpose, by a majority of the number of votes cast. No proposed amendment shall be submitted to the shareholders until it shall have first received the approval of two-thirds of the Board of Directors, at a regularly duly called session thereof.

No amendments or revisions shall be made to the By-Laws or to the Articles of Incorporation of the Association without first securing the written approval thereof by the State Water Conservation Board.

We, the undersigned, being all of the Directors and Secretary of the Neveda Creek Water Users' Association, do hereby certify:

That the foregoing Code of By-Laws, appearing upon pages 1 to 13, both inclusive, of this record, constitute the Book of By-Laws of this Association, as passed, approved and adopted by the stockholders, at a meeting on the day of November, A. D. 1937, and as subsequently ratified, approved and adopted by the Board of

Directors of this Association at a meeting held upon the same day and immediately following the first meeting of stockholders.

IN WITNESS WHEREOF, We have hereunto set our hands and caused the corporate seal of this Association to be affixed at Salisbury,
Powell County, Montana, this 2nd
day of November A. D. 1937.

J. C. [Signature]
Director

E. B. [Signature]
Director

Red [Signature]
Director

G. [Signature]
Director

Director

Director

Director

Wm. T. [Signature]
Secretary

(SEAL)