

BYLAWS
OF
DALTON WATER ASSOCIATION, INC.

ARTICLE I

General Purposes

The purpose for which this Association is formed and the power which it may exercise are set forth in the Articles of Incorporation of the Association.

ARTICLE II

Name and Location

Section 1. The name of this Association is the Dalton Water Association, Incorporated.

Section 2. The place where the principal business of the Association is to be transacted is the City of Dalton Gardens, County of Kootenai, State of Idaho, but the Association may maintain offices and places of business at such other places within the State of Idaho as the Board of Directors may determine.

ARTICLE III

Fiscal Year

The fiscal year of the Association shall begin the first day of October in each year.

ARTICLE IV

Membership

Section 1. Any owner of a legally existing parcel within the provisions of Sec. 2 of Article V of the Articles of Incorporation may become a member hereof by the payment of the fee set by the Board of Directors.

Section 2. No membership shall be offered for anyone who does not own a legally existing parcel of land within the boundaries of the Association. Further, the person or entity must have been admitted into membership by the board of directors. If a member sells or disposes of their parcel, the transferor's membership shall cease and shall automatically transfer to the record of title owner of the parcel. A member is not entitled to any refund when the member's membership ceases.

The Secretary shall keep a record of the change of title of all property within the boundaries of the Association and upon the sale or conveyance in any manner of a member's parcel, shall transfer the membership to the person to whom the property is conveyed and who is shown of record as the owner. A membership may be terminated for non-payment of water assessments, non-use for the period of six months, for the use of water in violation of the Association's bylaws, or for failure to comply with the Associations bylaws, the rules and regulations of the board of directors. The board of directors shall make reasonable rules pertaining to the termination of a membership. The board of directors shall have authority for good cause shown to extend the time for termination of a membership for a period not exceeding one year.

Where any member owns more than one membership, such member shall be limited to one vote at a member meeting.

Section 3: The board of directors have the following powers regarding a member's parcel:

- a. The board of directors may set a policy requiring use of a master meters for a non-residential zoned parcel.
- b. Assessments may be made by the board of directors for capital improvements to the system. The assessments may be enforced by discontinuing water service, by legal action, by forfeiture of membership, or a combination of these enforcement actions. No enforcement action will be taken without providing the member a written notice at least 20 days before commencement of such disconnection, legal action, or forfeiture. The assessments may be secured by a lien filed by the Association against the real property to which the membership's rights are appurtenant.
- c. In the event a parcel is subdivided, the membership shall remain with the parcel designated by the board of directors. The owner of an eligible parcel shall be permitted to apply for a membership only if the capacity of the corporation's water system is not exhausted by the needs of its existing members.

Section 4. The board of directors shall have the right to suspend the rights of a member granted under these bylaws during such time as the member is acting in violation of, or failing to comply with, these bylaws and the rules and regulations of the board of directors.

ARTICLE V

Meetings of Members

Section 1. The annual meeting of the members of this Association shall be held at the office of the corporation in the City of Dalton Gardens, County of Kootenai, State of Idaho, at 7:30 o'clock p. m. on the first Monday of March of each year, if not a legal holiday, or if a legal holiday, on the business day following. The Board may, by resolution passed and included in the notice of election, designate another place for holding this meeting.

Section 2. Special meetings of the members of the Association may be called at any time by the president or upon resolution of the board of directors, or upon written petition to a corporate officer of the board, signed by at least ten percent (10%) of the members of the Association. The purpose of the special meeting shall be stated in the notice thereof and no business shall be transacted thereat except such as is specified in the notice.

Section 3. Notice of meetings of members of the Association may be given by a notice mailed to each member of record, directed to the address shown upon the books of the Association, at least ten days prior to the meeting. Such a notice shall state the nature, time, place, and purpose of the meeting. No failure or irregularity of notice of any annual meeting, regularly held shall affect any proceeding taken at the regular meeting.

Section 4. The members present at any meeting of the members shall constitute a quorum at any meeting of the Association for the transaction of business. The voting powers of the members of this Association meeting shall be equal, and each member shall have only one vote irrespective of the number of parcels owned by the member. No voting by proxy shall be allowed.

Section 5. Directors of this Association shall be elected at the annual meeting of the members.

Section 6. The order of business at the regular meeting and so far as possible at all other meeting shall be:

1. Calling to order and proof of quorum;
2. Proof of notice of meeting;
3. Reading and action on any unapproved minutes;
4. Reports of officers and committees;
5. Election of Directors;
6. Unfinished business;
7. New business; and
8. Adjournment.

ARTICLE VI

Directors and Officers

Section 1. The board of directors of this Association shall consist of five members, all of whom shall be members of the Association and parcel owners within the Association's boundaries. The directors names in the Association's Articles of Incorporation shall serve until the first annual meeting of the members and until their successors are elected and have qualified. At the first annual meeting of the members, two directors for a term of one year, two directors for a term of two years; and one director for a term of three years, shall be elected. At each annual meeting thereafter, the members shall elect for a term of three years the number of directors whose terms of office have expired.

Section 2. The board of directors shall meet within ten days after the first election and within ten days after the annual election of directors and shall elect by ballot a president, vice-president and a secretary/treasurer from amongst themselves, each of whom shall hold office until the election and qualification of his successor unless sooner removed by death, resignation or for cause.

Section 3. Any vacancy in the board of directors, other than from the expiration of a term of office, shall be filled by election by the remaining members of the board until the next regular or special meeting of the members of the Association. At such meeting a director shall be elected for the unexpired term. The disqualification of a director as a member of the Association shall operate to disqualify him as a director and shall create a vacancy in the office of the director. A director elected by the board may be removed without cause by the vote of two-thirds (2/3) of the directors.

Section 4. A majority of the board of directors shall constitute a quorum ay any meeting of the board.

Section 5. That the President of the board of directors shall be paid \$250.00 per meeting attended of the Association. Other members of the Board shall be paid \$125.00 per meeting attended for the Association.

Section 6. Any director of the Association may be removed from office without cause by the members of the Association present at any annual or any special meeting called which includes removal of the director as an agenda item. Removal of a director shall require the number of votes cast which would be sufficient to elect the director at a meeting to elect directors. The director shall be informed in writing of the charges against him, if any, at least ten days before such meeting, and at the meeting shall have an opportunity to present witnesses and be heard in person in answer

thereto. Officers may be removed for cause by vote of two-thirds of the members of the board and employees or agents discharged or removed from office or employment at any time by action of the board of directors.

ARTICLE VII

Duties of Directors

Section 1. The board of directors, subject to restrictions of law, the articles of incorporation, or these bylaws, shall exercise all of the powers of the Association, and, without prejudice to or limitation upon their general powers, it is hereby expressly provided that the board of directors shall have, and are hereby given, full power and authority (to be exercised by resolution adopted by a majority vote of all the members) in respect to the matters and as hereinafter set forth:

- a. To pass upon the qualifications of a member, to grant a membership, to cause the same to be recorded to the parcel owned by the member, and if a membership is terminated to cause a forfeiture of membership to be recorded.
- b. To select and appoint all agents or employees of the Association and to remove such agents or employees of the Association, to prescribe such duties and designate such powers as may not be inconsistent with these bylaws, and to fix their compensation and pay for their services.
- c. To borrow from any source, money, goods, or services, and to make and issue notes, and other negotiable and transferable instruments, mortgages, deeds of trust and trust agreements, and to do every act and thing necessary to effectuate the same.
- d. To prescribe, adopt, and amend, from time to time, such equitable uniform rules and regulations as, in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the Association and the guidance and control of its officers and employees, and to prescribe adequate penalties for the breach thereof.
- e. To order an audit of the books and accounts every other year and a review of the books and accounts every other year of the Association by a Certified Public Accountant. The report prepared by such auditor or accountant shall be submitted to the members of the Association at their annual meeting.
- f. To fix the charges to be paid by each member for services rendered by the Association to him, the time of payment, and the manner of collection.
- g. To require all officers, agents and employees charged with responsibility for the custody of any of the funds of the Association to give adequate bonds, the cost thereof to be paid by the Association, and it shall be mandatory upon the directors to so require.
- h. To select one or more banks to act as depositories of the funds of the Association and to determine the manner of receiving, depositing, and disbursing the funds of the Association and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.
- i. To levy assessments against the members of the Association and to enforce the collection of such Assessments by the forfeiture of a membership, and to provide for the collection for all water delivered or to be delivered, at such rate and on such basis as they deem

proper, but always sufficient to pay all operation and maintenance expenses, reserve to pay indebtedness, interest and a reasonable sum for a surplus fund.

- j. Assessments may be made by the board of directors for capital improvements to the system. The assessments may be enforced by discontinuing water service, legal action, or forfeiture of membership, or a combination of these action upon notice to the member given in writing 20 days before commencement of such disconnection, legal action, or such forfeiture. The assessments may be secured by a lien filed by the Association against the real property to which the membership right is appurtenant.

ARTICLE VIII

Duties of Officers

Section 1. Duties of president. The president shall preside over all meeting of the Association and the board of directors, call special meetings of the Association and of the board of directors, perform all acts and duties usually performed by an executive and presiding officer, and sign such other papers of the Association as he may be authorized or directed to sign by the board of directors, provided the board of directors may authorize any person to sign any or all checks, contracts, and other instruments in writing on behalf of the Association. The president shall perform such other duties as may be prescribed by the board or directors.

Section 2. Duties of the vice-president. In the absence or disability of the president, the vice-president shall perform the duties of the president; provided, however, that in case of death, resignation, or disability of the president, the board of directors shall declare the office vacant and elect his successor.

Section 3. Duties of the secretary/treasurer. The secretary/treasurer shall keep a complete record of all meetings of the Association and of the board of directors and shall have general charge and supervision of the books and records of the Association. Together with the president, he shall sign such other papers pertaining to the Association as authorized or directed to do so by the board of directors. He shall serve all notices required by law and by these bylaws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting. He shall keep membership records of the Association. He shall keep a proper membership record showing the name of each member of the Association, the date of issuances, parcel to be served, disconnection, forfeiture, or transfer of membership. He shall make all reports required by law and shall perform such other duties as may be required of him by the Association or the board of directors. Upon the election of his successor, the secretary/treasurer shall turn over to him all books and other property belonging to the Association that he may have in his possession. He shall also perform such duties with respect to the finances of the Association as may be prescribed by the board of directors. The secretary/treasurer shall cause all memberships to be recorded and shall keep and retain all membership records in his possession and cause terminations of membership to be recorded whenever a membership is terminated for any cause.

ARTICLE IX

Benefits and Duties of Members

Section 1. The Association will maintain and operate the main water distribution pipeline or lines from the source of water supply installed as of March 1, 1971. Thereafter, each owner requesting an extension of the water line from the line existing at the time of such request shall pay to the secretary/treasurer the entire cost of extending such main line from the existing main line to his

furthermost property line, or other limits as set by the board of directors. The size and kind of such line shall be determined by the board of directors.

Section 2. Such extension of said water lines, except the service line attaching the member's dwelling to the water line, shall, upon installation, become the property of the Association and be maintained and repaired by the Association.

Section 3. The Association shall, at the point that the member desires to hook up the line from his dwelling to the Association water line, install a water meter which is to be purchased, installed, owned and maintained by the Association. The Association will also install a cut-off valve in each line attached to its line, such cut-off valve to be owned and maintained by the Association and to be installed on some portion of the service line owned by the Association. The Association shall have the sole and exclusive right to use such cut-off valve and to turn it on and off. The location and type of meter shall be at the discretion of the Association. The member shall provide a frost free location for installation of a meter. The member shall maintain the area around the meter well in a safe condition free of landscaping. All damage caused to the meter well and/or damage caused by failing to maintain the area around the meter well shall be the financial responsibility of the owner.

Section 4. Each member shall be entitled to one and only one service line from the Association's water system unless the board of directors approves more than one service line. The member shall be required to pay all fees related to the service line as set by resolution of the board of directors, including an installation fee. No new service line or change in an existing service line may be made which will interfere with an existing service line or the delivery of water. Each service line shall connect with the Association's water system at the nearest available place of desired use by the member. If the Association's water system has insufficient capacity to permit the delivery of water through a service line at such place or the connection interferes with the delivery of water through a prior service line, the Association may allow a connection at an alternative location.

Each member will be required to dig or have dug a ditch for the connection of the service line or lines from the property line of the member to his dwelling or other portion of his premises and will also be required to purchase and install the portion of the service line or lines from his property line to the place of use on his premises and to maintain such portion of such service line or lines which shall be owned by the member, at his own expense, and in good condition, provided that the Association may, if the board of directors so determines, purchase the pipe for and install such portion of such service line or lines, the cost of which shall be paid by the member. The board of directors shall make all proper rules to carry this provision into effect.

Section 5. Each member whose parcel is a single family residential parcel shall be entitled to purchase from the Association, pursuant to such agreements as may from time to time be provided and required by the Association, such water for such uses as approved by the board of directors by resolution, subject, however, to the provision of these bylaws and to such rule and regulations as may be prescribed by the board of directors. Each residential member shall be entitled to have delivered to him through a single service line only such water as may be necessary to supply the needs to the persons residing in the single family residence and the livestock owned by such persons. The water delivered through each service line shall be metered and the charges for such water shall be determined separately, irrespective of the number of service lines owned by the member.

Each non-residential member shall be entitled to purchase from the Association, pursuant to such agreements as may from time to time be provided and required by the Association, such water for such uses as approved by the board of directors by resolution, subject, however, to the provisions of these bylaws and to such rule and regulations as may be prescribed by the board of directors. Each non-residential member shall be entitled to have delivered to him only such water as may be

necessary to supply the needs to one building owned by such person. The water delivered through each service line shall be metered and the charges for such water shall be determined separately, irrespective of the number of service lines owned by a member. The board of directors in its sole discretion may allow multiple buildings to be served on a non-residential parcel. The board of directors may require the use of a master meter for a non-residential parcel of property.

Section 6. In the event the total water supply shall be insufficient to meet all of the needs of the members or in the event there is a shortage of water, the Association may prorate the water available among the various members on such basis as is deemed equitable by the board of directors, and may also prescribe a schedule of hours covering use of water for garden and yard purposes by particular members and require adherence thereto, or prohibit the use of water for yard or garden purposes; providing that is at any time the total water supply shall be insufficient to meet all the needs of all the members for non-residential commercial, domestic, livestock, and yard and garden purposes the Association must first satisfy all of the needs of all of the members for non-residential commercial and domestic purposes before supplying any water for livestock purposes and must satisfy all of the needs of all of the members for both domestic and livestock purposes before supplying any water for yard or garden purposes.

Section 7. The board of directors shall adopt annually by resolution a minimum monthly meter charge for water service, irrespective of water use, and a water rate schedule for a specified quantity of water or such other basis as may be fixed, such flat minimum monthly rate to be payable irrespective of whether any water is used by a member during any month, and the amount of additional charges, if any, for additional water which may be supplied the members, shall fix the date for the payment of such charges and shall notify each member of the amount of such charges and the payment due dates. A member to be entitled to the delivery of water shall pay such charges at the office of the Association at or prior to the dates fixed by the board of directors. The failure to pay water charges duly imposed shall result in the automatic imposition of the following penalties: ~~(3/3/08)~~

- a. Non-payment for thirty days after due. The water shall be cut off from the delinquent member's property.
- b. The directors shall pass any reasonable rule to carry these provisions into effect.
- c. The Association recognizes that the City of Dalton Gardens, Idaho, which is the area generally served by the Association, enacted a Home Based Business Ordinance under Title 3 Chapter 6 of the Dalton City Code. Said ordinance allows home based business in the residential area of Dalton Gardens under certain circumstances, hence the Association serves the following properties:
 1. Residential
 2. Commercial and Utility
 3. Residential with home based business permits.

Pursuant to these bylaws, the board of directors may, in its sole discretion, set such flat minimum monthly rates for each of the three classes of property or any class created by the City of Dalton. In determining rates for home based businesses, the board shall consider the type of water usage necessary to operate the business on the premises.

Section 8. The board of directors may authorize the release of a member's water use information to any governmental entity that requests it when such member uses the member's property for commercial or business purposes.

ARTICLE X

Distribution of Surplus Funds

Section 1. It is not anticipated that there will be any surplus funds. If there should be any, then at the end of the fiscal year, after paying the expenses of the Association for operation and otherwise and after setting aside reserves for depreciation on all building, equipment and office fixtures and such other reserves as the board of directors may deem proper and after providing for payments on interest and principal of obligations and amortized debts of the Association, and after providing for the purchase of proper supplies and equipment, the surplus funds shall be accumulated in a surplus fund for the purpose of replacing, enlarging, extending and repairing the system and property of the Association and for such other purposes as the board of directors may determine to be for the best interest of the Association. Should any surplus funds remain, it shall be used to ratably reduce each member's water charges thereafter until all such surplus is exhausted.

ARTICLE XII

Amendments

Section 1. These bylaws may be repealed or amended by a vote of two-thirds of the members present at any regular meeting of the Association, or at any special meeting of the Association called for that purpose, except that the members shall not have the power to change the purposes of the Association so as to decrease its rights and powers under the laws of the state, or to waive any requirement of bond or other provisions for the safety and security of the property and funds of the Association or its members, or to deprive any member of rights and privileges then existing, or so to amend the bylaws as to affect a fundamental change in the policies of the Association. Notice of any amendment to be made at a special meeting of the members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered.