

B Y - L A W S
of
MOUNT BAKER WATER ASSOCIATION

ARTICLE I

General Purposes

The purposes for which this corporation is formed, and the powers which it may exercise are set forth in the articles of incorporation of the corporation.

ARTICLE II

Name and Location

Section 1: The name of this corporation is the MOUNT BAKER WATER ASSOCIATION.

Section 2: The principal office of this corporation shall be located in the City of Bellingham, County of Whatcom, State of Washington.

ARTICLE III

Seal

Section 1: The seal of the corporation shall have inscribed thereon the name of the corporation, the year of its organization and the words, "Non-Stock Corporation, Washington".

Section 2: The secretary of the corporation shall have custody of the seal.

Section 3: The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IV

Fiscal Year

The fiscal year of the corporation shall begin the FIRST day of JANUARY in each year.

ARTICLE V

Membership

Section 1: The holders of membership certificates of this corporation are its members. Any bona fide **owner** of a **property** having reasonable accessibility to the source of and who is in need of having water supplied for domestic, livestock and garden purposes from the water system operated by the corporation and who receives the approval of the board of trustees may be admitted to membership upon subscribing for or otherwise acquiring a

membership certificate and by signing such agreements for the purchase of water as may be provided and required by the corporation; ***provided that the capacity of the corporations water system is not exhausted; that our system has not exceeded the Department of Health's allocated usage; and that approval by the board of any membership application will not exceed the usage amount mandated by the membership in order to maintain the quality and availability of existing water. Only one Property may be served with each membership.*** The membership fee shall be determined by the membership as provided for in the By-Laws.

Section 2: If a member ceases to be eligible to hold membership as provided in Section 1, or willfully fails to comply with these by-laws and other requirements, or willfully obstructs the purposes and proper activities of the corporation, the corporation, through the board of trustees, may elect to purchase his membership certificate and terminate his membership upon tender to him or legal representatives of the fair book value of his membership certificate as determined by the board of trustees, together with any dividends due and unpaid less any indebtedness then due from him to the corporation. Any member whose membership is so terminated for cause other than that of ceasing to be eligible may appeal from the action of the board of trustees to a vote of the members at the next regular meeting of the members or special meeting of the members called for such purpose.

ARTICLE VI

Membership Certificates

Section 1: This corporation shall not have capital stock, but its capital shall be represented by membership certificates.

Section 2: The membership certificates shall be issued to each holder of fully paid membership and shall be numbered consecutively, in accordance with the order of issue. Each membership certificate shall bear on its face the following statements:

- A. This membership certificate is issued and accepted in accordance with and subject to the conditions and subject to the conditions and restrictions stipulated in the articles of incorporation and by-laws and amendments to the same of the MOUNT BAKER WATER ASSOCIATION.
- B. Transfers of membership certificates shall be made only upon the books of the corporation, only to Persons eligible to become members, only with the approval of the board of trustees and only when the member transferring is free from indebtedness to the corporation.
- C. No member of this corporation shall be entitled to more than one vote at meetings of the members or to hold more than one of the membership certificates of the corporation. Every member upon becoming a member of this corporation agrees to sign such agreement for the purchase of water from the corporation as may from time to time be provided and required by the corporation and agrees in case he desires to dispose of his membership certificate, to first offer the same to the corporation at its fair book value and that he will make no offer of assignment or sale of the same unless the corporation shall fail after thirty days notice in writing so to purchase the membership certificate.

Section 3: All transfers of membership certificates shall be made upon the books of the corporation upon the surrender of the certificates covering the same by the holders thereof or by their legal representatives but only with the approval of the board of trustees and only to persons eligible to become members and only when the transferring member is free from indebtedness to the corporation.

Section 4: Each member agrees to sign such water users' agreements as the corporation shall from time to time provide and requires.

ARTICLE VII

Meetings of Members

Section 1: The annual meeting of the members of the MOUNT BAKER WATER ASSOCIATION shall be held in the County of WHATCOM, State of Washington within the first two months of the calendar year.

Section 2: Special meetings of the members may be called at any time by the action of the board for trustees and such meetings must be called whenever a petition requesting such meeting is signed by at least ten percent of the members and presented to the secretary or to the board of trustees. The purpose of every 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 corporation may be given by a notice mailed to each member of record, directed to the address shown upon the books of the corporation, at least ten days prior to the meeting. Such a notice shall state the nature, time, place and purpose of the meeting, but no failure or irregularity of notice of any annual meeting, regularly held, shall affect any proceedings taken thereat.

Section 4: The members present at any meeting of the members shall constitute a quorum at any meeting of the corporation for the transaction of business. The voting powers of the members of this corporation shall be equal, each member shall have one vote only, and no voting by proxy shall be allowed.

Section 5: Trustees of this corporation shall be elected at the annual meeting of the members.

Section 6: The order of business at the regular meetings and so far as possible at all other meetings 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 trustees.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE VIII

Trustees and Officers

Section 1: The board of trustees of this corporation shall consist of five members, all of whom shall be members of the corporation. The trustees named in the 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, one trustee shall be elected for a term of one year; two trustees for a term of two years, and two trustees for a term of three years. At each annual meeting thereafter, the members shall elect for a term of three years the number of trustees whose terms of office have expired.

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

Section 3: If the office of any trustee becomes vacant by reason of death, resignation, retirement, disqualification or otherwise, except by removal from office, a majority of the remaining trustees, though less than a quorum shall, by a majority vote, choose a successor who shall hold office until the next regular meeting of the members of the corporation, at which time the members shall elect a trustee for the unexpired term or terms, provided that in the call of such regular meeting a notice of such election shall be given.

Section 4: A majority of the board of trustees shall constitute a quorum at any meeting of the board. *The affirmative vote of the majority of the trustees at a meeting at which a quorum is present shall be the act of the board.*

Section 5: Compensation of officers may be fixed at any regular or special meeting of the members of the corporation. Trustees shall receive no compensation for their services as such.

Section 6: Officers and trustees may be removed from office in the following manner: Any member, officer or trustee may present charges against a trustee or officer by filing them in writing with the Secretary of the corporation. If presented by a member, the charges must be accompanied by a petition signed by ten percent of the members of the corporation. Such removal shall be voted on at the next regular or special meeting of the members and shall be effective if approved by a vote of a majority of the members. The trustee or officer against whom such charges have been presented shall be informed, in writing, of such charges *twenty* days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges against him shall have the same opportunity. If the removal of a trustee is approved, such action shall also vacate any other office held by the removed trustee in the association. A vacancy in the board thus created shall immediately be filled by a vote of a majority of the members present and voting at such meeting. A vacancy in any office thus created shall be filled by the trustees from among their number so constituted after the vacancy in the board has been filled.

ARTICLE IX

Duties of Trustees

Section 1: The board of trustees, subject to restrictions of law, the articles of incorporation, or these by-laws shall exercise all of the powers of the corporation, and, without prejudice to or limitation upon their general powers, it is hereby expressly provided that the board of trustees 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 members, and to cause to be issued appropriate certificates of membership.
- B. To select and appoint all officers, agents or employees of the corporation or remove such agents or employees of the corporation for just cause, prescribe such duties and designate such powers as may not be inconsistent with these by-laws, fix their compensation and pay for faithful 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 corporation and the guidance and control of its officers and employees, and to prescribe adequate penalties for the breach thereof.
- E. To order, at least once each year, an audit of the books and accounts of the corporation by a competent Public auditor or accountant. The report prepared by such auditor or accountant shall be submitted to the members of the corporation at their annual meeting.
- F. To fix the charges to be paid by each member for services rendered by the corporation 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 corporation to give adequate bonds, the cost thereof to be paid by the corporation, and it shall be mandatory upon the trustees to so require.
- H. To select one or more banks to act as depositories of the funds of the corporation and to determine the manner of receiving, depositing, and disbursing the funds of the corporation 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 membership certificates of the corporation and to enforce the collection of such assessments by the forfeiture of delinquent certificates. The board of trustees shall have the option to declare forfeited any membership certificate, on which assessment has not been paid, at any time after ninety days from the date the assessment was due, provided that the corporation must give the member at least thirty days written notice at the address of the member on the books of the corporation, of its intention to forfeit the certificate if the assessment is no paid.

ARTICLE X

Duties of Officers

Section 1: DUTIES OF PRESIDENT. The president shall preside over all meetings of the corporation and the board of trustees, call special meetings of the board of trustees, perform all acts and duties usually performed by an executive and presiding officer, and sign all membership certificates and such other papers of the corporation as he may be authorized or directed to sign by board of trustees, provided the board of trustees may authorize writing on behalf of the corporation. The president shall perform such other duties as may be prescribed by the board of trustees.

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 trustees may 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 corporation and of the board of trustees and shall have general charge and supervision of the books and with the president and such other papers pertaining to the corporation as he may be authorized or directed to do so by the board of trustees. He shall serve all notices required by law and by these by-laws 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 the corporate seal and membership certificates, records of the corporation, complete and countersign all certificates issued and affix said corporate seal to all papers requiring seal. He shall keep a proper membership certificate record, showing the name of each member of the corporation and date of issuance, surrender, cancellation or forfeiture. He shall make all reports required by law and shall perform such other duties as may be required of him by the corporation or the board of trustees. Upon the election of his successor, the secretary-treasurer shall turn over to him all books and other property belonging to the corporation that he may have in his possession. He shall also perform such duties with respect to the finances of the corporation as may be prescribed by the board of trustees.

ARTICLE XI

Benefits and Duties of Members

Section 1: The corporation will install, maintain and operate a main distribution pipe line or lines from the source of the water supply and service lines from the main distribution pipe line or lines to the property line of each member of the corporation, at which points, designated as delivery points, meters to be purchased, installed, owned and maintained by the corporation shall be placed. The cost of the service line or lines from the main distribution pipe line or lines of the corporation to the property line of each member shall be paid by the corporation. The corporation will also purchase and install a cut-off valve in each service line from its main distribution line or lines, such cut-off valve to be owned and maintained by the corporation and to be installed on some portion of the service line owned by the corporation. The corporation shall have the sole and exclusive right to use such cut-off valve to turn it on and off.

Section 2: *Each member will be required at his own expense to have dug a ditch for the connection of the service line from the water main to his dwelling or other portion of his premises, and to purchase and have installed the portion of the service line to the place of use on his premises. The member will maintain such portion of such service line, which shall be owned by the member, at his own expense. In addition, each member shall pay such connection charge, if any, as may have been imposed by the board of directors before such member will be entitled to receive water from the system.*

Section 3: Each member shall be entitled to not to exceed one service line from the corporation's water system. 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 therein. Each service line shall connect with the corporation's water system at the nearest available place to the place of desired use by the member if the corporation's water system shall be sufficient capacity to permit the delivery of water through a service line at that place without interfering with the delivery of water through a prior service line. If the corporation's water system shall be inadequate to permit the delivery of water through a service line installed at such place without interfering with the delivery of water through a prior service line, then such service line shall be installed at such place as may be designated by the corporation. 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, provided that the corporation may, if the board of trustees so determines, purchase the pipe for and install such portion of such service line or lines, the cost of which will, however, be paid by the individual members.

Section 4: Each member shall be entitled to purchase from the corporation, pursuant to such agreements as may from time to time be provided and required by the corporation, such water for domestic, livestock and garden purposes as a member may desire, subject, however, to the provisions of these by-laws and to such rules and regulations as may be prescribed by the board of trustees. Each 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 of the persons residing in a single dwelling and of the livestock owned by such persons and to irrigate a garden of not to exceed one-fourth of one acre. 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.

Section 5: 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 corporation may prorate the water available among the various members on such basis as is deemed equitable by the board of trustees, and may also prescribe a schedule of hours covering use of water for garden purposes by particular members and require adherence thereto or prohibit the use of water for garden purposes; provided that if at any time the total water supply shall be insufficient to meet all of the needs of all of the members for domestic, livestock and garden purposes, the corporation must first satisfy all of the needs of all of the members for 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 garden purposes.

Section 6: The board of trustees shall, prior to the beginning of each calendar year, determine the flat minimum monthly rate to be charged each member during the following calendar year for a specified quantity of water, 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 dates for the payment thereof. A member to be entitled to the delivery of water shall pay such charges at the office of corporation at or prior to the dates fixed by the Board of trustees. The failure to pay water charges duly imposed shall result in the automatic imposition of the following penalties:

- A. Non-payment for thirty days after due. The water shall be cut off from the delinquent member's property.
- B. Non-payment for **365 days**. Membership in this corporation shall be terminated and the Membership certificate purchased as provided for in Article V, Section 2 of these by-laws.

Section 7: The board of trustees shall be authorized to require each member to enter into water users agreements, which shall embody the principles set forth in the foregoing sections of this article.

ARTICLE XII

Distribution of Surplus Funds

Section 1: It is not anticipated that there will be any net income. If there should be any, then at the end of the fiscal year, after paying the expenses of the corporation for operation and otherwise, and after setting aside reserves for depreciation on all buildings, equipment and office fixtures and such other reserves as the board of trustees may deem proper and after providing for payments on interest and principle of obligations and amortized debts of the corporation, and after providing for the purchase of proper supplies and equipment, the net earnings shall be accumulated in a surplus fund for the purpose of replacing, enlarging, extending and repairing the system and property of the corporation and for such other purposes as the board of trustees may determine to be for the best interests of the corporation. The said surplus fund or any portion thereof may from time to time at the discretion of the board of trustees be distributed to the members as provided in the by-laws, on the basis of the assessments and charges made and levied against and paid by such members during the year.

Section 2: Any part or the whole of such apportionment may be credited at the discretion of the board of trustees to the indebtedness of the members, should any exist, and in such case, the members shall be notified in writing of the amount so applied.

ARTICLE XIII

Amendments

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

ARTICLE XIV

Indemnification

To the full extent permitted by the Washington law the association of a non-profit corporation shall indemnify any person who was or is a party or is threatened to be made a party to any civil, criminal, administrative or investigative action, suit or proceeding (whether brought by or on behalf of the association or otherwise) by reason of the fact that he is or was a director or officer of the association, or is or was serving at the request of the association as a director or officer of another association, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding; and the board of directors may, at any time, approve indemnification of any other person which the association has the power to indemnify under the Washington Non-Profit Corporation Act. The indemnification provided by this article shall not be deemed exclusive of any other rights to which a person may be entitled as a matter of law or by contract.