

Revised & Amended
July 15, 2014

BY-LAWS
OF
THREE LAKES WATER ASSOCIATION, INC.

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 Three Lakes Water Association, Inc.

Section 2. The principal office of this corporation shall be located at 17503 58th ST SE, County of Snohomish, State of Washington, but the corporation may maintain offices and places within or without the state as the board of trustees may determine.

ARTICLE III
Seal

Section 1. The seal of the corporation shall have inscribed there on, 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 July in each year.

ARTICLE V
Membership

Section 1. The holders of membership certificates of this corporation are its members. Any bona fide landowner of a property having reasonable accessibility to the source of, and who are in need of having water supplied for domestic, livestock, garden, industrial, and commercial purposes from the water system constructed, maintained and operated by the corporation, and located within the Retail Service Area of the Association as such is declared in its most recent Water System Plan, will be admitted to membership upon subscribing for and otherwise acquiring a membership certificate; provided that no person otherwise eligible shall be admitted to the corporation if the capacity of the corporation's water system is exhausted by the needs of its existing members, unless a proposed new member is purchasing a property presently served by the corporation and when the seller is retaining their membership because of other property or properties they may own that is presently served by the corporation. In addition, owners of property outside the Association's retail service area (but that may otherwise be served by the Association's water system) may become a member and have their property served by the Corporation, upon mutual agreement between the Association and the adjacent water purveyor to provide such service. Charter members shall be those who hold membership certificates of record in the corporation on the date of completion of construction of the initial or primary system, as determined by the board of trustees. New memberships, issued to other than charter members, will require the payment of a fee including service installation charges as determined by the board of trustees.

Section 2. There shall be three classes of memberships: Users, Charter part-time users, and Non-users with unoccupied property. Each member of this corporation, regardless of class of membership shall be entitled to one, but no more than one, vote at meetings of the members. Any member may own more than one membership certificate, in one or more classes of membership, in this corporation, but such multiple ownership does not give said member any greater interest in the corporation than a member owning but one membership certificate.

Section 3. Each membership, as represented by a valid membership certificate and the service connection therefore, is to be located at a specific spot, or station, along the water distribution main line. Should the property on which a membership is located be sold or otherwise transferred from a member to any other person or party, the right of membership shall automatically pass to the new owner of the property, and, providing that the transferring member is free from indebtedness to the corporation and that the new owner executes the then current form of water users, or membership agreement, the membership shall be transferred on the books of the corporation to the new owner.

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 a 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, No. _____, is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the articles of incorporation and by-laws and amendments to the same of the Three Lakes Water Association, Inc.

b. Transfers of membership certificates shall be made only upon the books of the corporation, upon the surrender of the certificates covering the same by the holders thereof or by their legal representatives-only to persons eligible to become members as determined on the basis of Article V of the by-laws and only when the member transferring is free from indebtedness to the corporation.

c. Each member of this corporation, regardless of class of membership or the number of memberships owned by said member, is entitled to one, but no more than one, vote at the meetings of the members. 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.

ARTICLE VII Meetings of Members

Section 1. The annual meeting of the members of this corporation shall be held in the County of Snohomish, State of Washington, at 7:00 P.M. on a non-holiday weekday in the month of October of each year.

Section 2. Special meetings of the members may be called at any time by the action of the board of 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 must 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 and no more than 30 days prior to the meeting. Such 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. At any meeting of the members, a member entitled to vote by proxy and be represented in all regards as if they were present in person, provided that each, but only one proxy is held by one other member of the corporation and is executed not more than 30 days prior to the meeting at

which it is used on the form provided by, and available from the Secretary of the corporation. All executed proxies must be submitted to the corporation secretary for validation at least one hour prior to the meeting at which they are to be used.

Section 5. Trustees of this corporation shall be nominated and elected at the annual meeting of the members, unless otherwise appointed per Article VIII.

1. Section 6. The order of business at the regular meetings and so far as possible or applicable at all other meetings shall be as outlined below. All meetings shall be conducted in accordance with Robert's Rules of Order.

1. Call 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 seven members and one alternate trustee who shall act on behalf of absent trustees, all of whom shall be members of the corporation. The designation of the alternate trustee shall be determined by the board annually as described below. At each annual meeting, the members shall elect for a term of three years the number of trustees whose terms have expired. As of the October 2013 annual meeting the trustee positions¹ were sequenced as follows, based on election records for the 2011, 2012 and 2013 annual meetings:

<u>Position</u>	<u>Term (annual meeting to annual meeting)</u>
1	2011-2014
2	2011-2014
3	2012-2015
4	2012-2015
5	2012-2015
6	2012-2015
7	2013-2016
8	2013-2016

The prior version of these by-laws has been interpreted such that the alternate trustee designation has a one-year term. The trustee in position 3 (2012-2015) is presently designated

¹The designation of "position" is introduced in 2014 for reference to trustee terms established by recent elections, in chronological order.

as the alternate trustee (i.e. for the office year from 2013-2014). For purposes of clarity and confirming a set sequence of only two or three trustee positions open each year (by reason of completion of a full term), the term of position 3 is herein established to terminate as of the 2014 annual meeting. Thus the term of positions 1, 2 and 3 will terminate in 2014; the term of positions 4, 5 and 6 will terminate in 2015; and, the term of positions 7 and 8 will terminate in 2016. There shall be no fixed relationship between a specific numbered trustee position and the office of alternate trustee.

Section 2. The board of trustees shall meet within ten days after the annual election of trustees and elect from among themselves by ballot and majority vote the officers of the board: president, vice president, secretary, treasurer and an alternate, each of whom shall hold office until the next annual meeting and until the election and qualification of their successor in such office unless sooner removed from the board or the office by death, resignation or for cause, or completion of their term as a trustee. A trustee may not be elected to the alternate office for consecutive years. The board shall elect replacement officers from among themselves in the same manner if an office is vacated by death, resignation or for cause. If the office is vacant due to an open trustee position, such officer election shall take place once all open trustee positions are filled by appointment or election as described below.

Section 3. If any trustee position becomes vacant prior to the end of the term by reason of death, resignation, or by removal from the position by the trustees or members as described below, the remaining trustees shall elect from the members of the corporation, by ballot and a majority vote, a new trustee who shall fill the vacated position until the next annual meeting of the members of the corporation, at which time the members shall elect a trustee for the unexpired term, provided that in the call of such an annual meeting a notice of such election shall be given. Cause for removal from the position of trustee, or from an office while not affecting one's position as a trustee, may include unexcused nonattendance at three consecutive scheduled board of trustees meetings or three of the last six scheduled meetings of the board of trustees or any other reason the board of trustees deems appropriate. The trustee against whom such charges have been presented shall be informed, in writing by certified mail, of such charges at least 21 days prior to any meeting to be held regarding removal from a board office or trustee position and shall have the opportunity at that meeting to be heard by in person or be represented by counsel and to present witnesses. The board of trustees shall have the same opportunity. The notice shall indicate if the proposed action is to remove the trustee from the board office or from the position as a trustee. If the removal of a trustee is approved, such action shall also vacate any board office held by the trustee.

Section 4. A majority (being four or more trustees) of the board of trustees shall constitute a quorum at a meeting of the board.

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

Section 6. Trustees may be removed from their trustee position in the following manner: any member or trustee (acting as a member) may present charges against a trustee by filing them in writing with the secretary of the corporation. If presented by a member or trustee (acting as

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 annual or special meeting of the members and shall be effective if approved by a vote of a majority of the members. The trustee against whom such charges have been presented shall be informed, in writing delivered by certified mail, of such charges at least 21 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 board office held by the removed trustee.

ARTICLE IX Duties of Trustees

Section 1. The board of trustees, subject to restriction of law, the articles of incorporation, or these by-laws, shall exercise all 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 motion or resolution approved or adopted by a majority vote of the trustees) in respect to the matters of the Association and as hereinafter set forth:

- a. To pass the qualifications of members in accordance with Article V 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 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 for the breach thereof.
- e. To engage the services of a Certified Public Accountant (CPA) at least annually to audit, review or compile the financial statements of the Association, as those terms are defined by the CPA profession. The level of service shall be at the discretion of the board of trustees. The report prepared by the CPA 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 the member, 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 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. At a minimum, all expenditures or transfer of funds out of the control of the Association shall be approved by the board and executed by two or more trustees.
- i. To levy assessments against the membership certificates of the corporation and to enforce the collection of such assessments in accordance with Article XI, Section 5.

ARTICLE X
Duties of Officers

Section 1. Duties of President: The president shall preside over all meeting of the corporation and the board of trustees, call special meeting of the board of trustees, perform all duties as may be prescribed by the board of trustees, and sign all membership certificates and such other papers of the corporation as he/she may be authorized or directed to sign by the board of trustees, provided the board of trustees may authorize any trustee or employee manager to sign any or all checks, contracts and other instruments in writing on behalf of the corporation. Prior to the next fiscal year, the president shall present a preliminary budget for the next fiscal year to the board of trustees for review. The president, as elected following the member's annual meeting and election of new officers, shall present a final budget for the current fiscal year to the board of trustees, no later than the December meeting, for their approval.

Section 2. Duties of the Vice-President: In the temporary absence of the president, the vice-president shall perform the duties of the president.

Section 3. Duties of the Secretary: The following duties shall be accomplished by the secretary, or be accomplished under the secretary's direction; however, where signatures are called for under these duties, only the secretary may sign on behalf of the Association. The secretary shall keep or direct 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 records of the corporation. He/She shall sign all membership certificates with the president and such other papers pertaining to the corporation as the secretary may be authorized or directed to do so by the board of trustees. He/She shall serve all notices required by law and by these by-laws and shall make a full report of all matters and these by-laws and shall make a full report of all matters and business pertaining to this office to the members at the annual meeting. He/She 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. The secretary 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/She shall make all reports required by law and shall perform such other duties as may be required of them by the corporation or the board of trustees. Upon the election of their successor, the secretary shall turn over to the new secretary all books and other property belonging to the corporation that he/she may have in their possession. He/She shall also perform such duties with respect to the finances of the corporation as may be prescribed by the board of trustees.

Section 4. Duties of the Treasurer: The following duties shall be accomplished by the treasurer or be accomplished under the treasurer's direction; however, where signatures are called for under these duties, only the treasurer may sign on behalf of the Association. He/She shall keep the books of the corporation and make all collections of dues and water charges. He/She shall receive and disburse the funds of the corporation as hereinafter provided. He/She shall keep all money of the corporation deposited in the name of the corporation. At frequent intervals he/she shall make reports to the board of trustees. He/She may be required to give acceptable bond, in such sum as the board may determine, premium to be paid by the corporation, for the faithful performance of their duties.

Section 5. Duties of the Alternate: The alternate trustee may fully participate in the function and activity of the board of trustees, except that when all seven other trustees are present for any meeting, the alternate trustee may not make a motion or vote on any matter presented to the board for decision or action at such meeting.

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 membership 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 from the main distribution pipe line or lines of the corporation to the property line of each charter membership shall be paid by the corporation, if installed with construction of the main distribution pipe. The corporation will also purchase and install a shut-off valve in each service line from its main distribution line or lines, such shut-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 shut-off valve to turn it off and on. The cost of all service lines installed after installation of the main distribution pipe line past a membership property shall be paid by the member desiring such installation. Service line connections shall be 3/4" inch diameter unless member requests and pays for the extra cost of larger service. Members shall be fully responsible for any damages or other consequences, whether to public or private property, or to the Association water system as a result of the member's operation of the Association's shut-off valve.

Section 2. 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, garden, industrial, and commercial purposes as a member may desire, subject, however, to the provisions of these by-laws and such rules and regulations as may be prescribed by the board of trustees.

Section 3. No new service line or change in an existing service line may be made which will interfere with an existing 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 desired use by the member if the corporation's water system shall be of 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 membership will be required to provide and maintain the necessary and desired plumbing connections from the individual service meter (corporation delivery point) to point of water use. Members shall install and maintain a private pressure reducing valve on their private service line to limit pressure to 80 pounds per square inch (psi) or lower as desired or otherwise required by local code.

Section 4. 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 memberships on such basis as is deemed equitable by the board of trustees, and may also prescribe a schedule of hours covering the use of water and require adherence thereto, provided that if at any time the total water supply shall be insufficient to meet all of the needs of the members for domestic, livestock, garden, industrial, and commercial purposes, the corporation must first satisfy all the needs of the members for domestic purposes before supplying any water for livestock purposes, and must satisfy all the needs of the members for both domestic and livestock purposes before supplying water for garden, industrial, or commercial purposes.

Section 5. The board of trustees shall, prior to the beginning of each fiscal year, or at other times as the board deems necessary, determine the assessments for debt repayment, and shall establish a monthly rate to be charged each user member thereafter for a specified quantity of water, such monthly rate to be payable irrespective of whether any water is used by a member during any month if service facilities are installed for such member, and the amount of additional charges, if any, for additional water which may be supplied the members; shall fix the dates 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 the 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 penalties to be established as policy by the board of trustees, including but not limited to shut-off of water supply and revocation of membership.

Section 6. The board of trustees shall be authorized to adopt, and update from time to time in their discretion, a water user's policy which shall embody the principles set forth in the foregoing

sections of this article, other policy adopted by the board and applicable local, state and federal regulations applicable to customers of potable water systems.

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 operational 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 principal 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. (Revised & amended, 1970)

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 annual meeting of the corporation, or at any special meeting of the corporation called for the purpose, except that the members shall not have the power to change the purpose of the corporation so as to decrease its right and powers under the laws of the state, or to 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 members of rights and privileges than 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 any meeting of the members must be given at least ten days before such meeting and must set forth the amendments to be considered. At a meeting where changes to these by-laws are to be considered by vote, the board of trustees may consider if any non-substantive changes to the proposed revisions are to be made prior to the vote. Any vote regarding by-laws changes shall be only for approval or rejection of the changes as presented.

AMENDMENT I

Prior to any sale of the Association's Corporation, 60% of the members must vote to validate it. There must also be a 60% majority vote of those 60% to validate the ballot. (06-14-10)

AMENDMENT II

(Repealed July 15 2014)

AMENDMENT III

Members shall comply with the Association's Cross Connection Control Program. The failure to do so will result in the automatic imposition of the following penalties: (1) Non compliance will result in the water being shut off from the customer's property. (2) In the event it becomes necessary for the Association to pull meter and cancel members share due to non compliance, a registered letter will be sent to that effect. The share will be reinstated when compliance is met and any past due charges, including costs for pulling meter and reinstalling meter is paid.

AMENDMENT IV

Committees: The board of trustees may establish standing and ad hoc committees as needed to assist with Association business. These committees shall be composed of Association members with the exception of technical assistance. Committee minutes and a list of those people's names on committees shall be maintained by the secretary of the Association. (06-14-10)