

BY-LAWS

AMES LAKE WATER ASSOCIATION

A Consumer Owned Cooperative Incorporated April 1969

Revised 09/13/2013

ARTICLE I

Membership

Section 1] Any bona fide owner of a parcel of land within the Corporation's service area as described in the Corporation's water system comprehensive plan having a reasonable accessibility to the distribution system, and who is in need of having water supplied for a legitimate and reasonable purpose may be admitted to membership upon subscribing for and otherwise acquiring a membership certificate pursuant to these By-Laws and subject to such terms and conditions as the Board of Directors ("Board") may determine and by signing such agreements for the purchase of water and installation of water system facilities as may be required by the Corporation; 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 the existing members. Every Member shall abide by the Bylaws, rules and regulations of the corporation.

Section 2] Memberships shall be transferable. The transfer will be effective only when noted on the books of the Corporation and upon approval by the Board. When an owner of a parcel for which a membership has been issued sells the parcel or it is otherwise transferred to a new owner, the Member shall transfer their membership in the Corporation to the new owner as part of the transaction whereby a transfer of interest in said property is made, provided the transferring Member is free from indebtedness to the corporation and the Board approves.

Section 3] Voting. No Member of this Corporation shall be entitled to more than one vote at meetings of the Members although it shall be impermissible for a Member to hold more than one of the membership certificates of the Corporation. With respect to memberships in which more than one person has an interest and with respect to entity owned memberships, one person shall be designated as the Member to vote the membership.

ARTICLE II

Membership Certificates

Section 1] This Corporation shall not have capital stock, but its capital shall be represented by membership certificates. The Corporation may issue memberships in certificateless form.

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 issuance. Each membership shall bear or be deemed to bear on its face the following statement:

- a. This membership certificate No.____, is issued in accordance with, and subject to, the conditions and

- b. restrictions stipulated in the Articles of Incorporation, By-Laws Rules and Regulations and amendments to same of the Ames Lake Water Association and any agreement entered into with the Association relating to the issuance of this certificate.

- b. Transfers of membership certificates shall be made only upon the books of the Corporation, subject to the corporation's By-Laws and Rules, only to persons eligible to become members and only when the transferring member is free from indebtedness to the Association.

ARTICLE III

Meetings of Members

Section 1] The annual meeting of this Corporation shall be set at any convenient place, date and time in King County, Washington, by the Board of Directors.

Section 2] Special meetings of the members may be called at any time by the action of the Board of Directors or 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 Directors. 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 [10] days prior to the meeting except as otherwise provided herein. Such a notice shall state the nature, time, place, and purpose of the meeting. Notice of Member meetings may be provided by electronic means to any Member that consents to such form of notice in writing.

Section 4] Five percent (5%) of the Members shall constitute a quorum at any meeting of the Corporation for the transaction of business. The quorum shall be established by presence in person, by proxy or voting by mail.

- a. **Voting by Mail.** Voting by mail is authorized on all matters upon which Members may vote. Voting by mail shall be on ballots in the form and manner as determined by the Board. Such ballots shall be forwarded with the notice of meeting and delivered and filed with the Secretary at or before the meeting. The presence of a Member at the meeting shall revoke the ballot cast. For purposes of a quorum the casting of a ballot by mail shall constitute presence at the meeting.
- b. **Annual Meeting Report.** At least sixty days prior to the annual membership meeting, the Board shall mail a

written report to the Members signed by the President. The report will include the following:

1. Significant board action during the year.
2. Significant issues facing the Corporation.
3. Board seats up for election.
4. The date of the next membership

meeting.

In addition the letter shall state that any Members wishing to submit any matter for vote at the annual meeting give the Secretary a written copy of the proposal together with arguments in its favor. The letter shall further state that any Members wishing to run for an expiring Board seat submit a biographical statement for inclusion in the next mailing. Material submitted by members must be received by the Secretary no later than forty days prior to the meeting.

c. Annual Meeting Second Report. At least fifteen days prior to the annual membership meeting, the Board shall mail to the Members a second meeting notice which includes the following:

1. Meeting agenda
2. Financial report
3. Statements by Board candidates
4. Message from the President
5. Message from the Manager
6. Matters presented for vote by Members, together with arguments which have been presented for and against.
7. A mail-in ballot

Section 5] Directors of this Corporation shall be elected at the annual meeting of the Members.

ARTICLE IV

Directors and Officers

Section 1] The Board shall consist of seven members, all of whom shall be Members of the Corporation. The terms of the Directors shall be staggered, with each Director serving a three year term.

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, from among themselves, a President, Vice-President, Secretary and Treasurer, each of whom shall hold office until the next annual meeting and until the election and qualification of a successor, unless sooner removed by death, resignation or for cause. The officers shall serve at the pleasure of the Board and may be removed and replacements elected as the Board may determine.

Section 3] If the office of any Director becomes vacant by reason of death, resignation, retirement, disqualification or otherwise except by removal from office, a majority of the remaining Directors, though less than a quorum shall, by 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

Director 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 shall constitute a quorum at any meeting of the Board.

Section 5] Directors may be removed from office in the following manner: Any Member may present charges against an Officer by filing them in writing with the Secretary of the Corporation. 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 present or voting by mail. The Director against whom such charges have been presented shall be informed, in writing, of such charges within five days, 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 Director is approved, such action shall also vacate any other office held by the removed Director in the Corporation. 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 Directors from among their number so constituted after the vacancy in the Board has been filled.

Section 6] To the extent authorized by law the Corporation shall indemnify any person made a party to any proceeding by reason of the fact that such person is or was a Director or Officer of the Corporation against judgments, penalties, fines, settlements and reasonable expenses actually incurred by such person in connection with such proceeding. Such reasonable expenses may be paid or reimbursed by the Corporation in advance of the final disposition of such proceeding; provided that no such indemnity shall indemnify any such person from or on account of acts or omissions of such person finally adjudged to be intentional misconduct or a knowing violation of law, or from or on account of any transaction with respect to which it was finally adjudged that such person was not legally entitled. The Board may at any time, approve indemnification of any other person which the Corporation has the power to indemnify under the law. The indemnification provided by this section shall not be deemed exclusive of any other rights to which a person may be entitled as a matter of law or by contract. Such indemnity shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors, and administrators of such person.

ARTICLE V

Powers and Duties of Directors

Section 1] The Board, subject to restriction of law, the Articles of Incorporation, and 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 shall have, and are hereby given, full power and authority in respect to the matters hereinafter set forth to be exercised by resolution duly adopted by the Board:

a. To approve membership applications and membership transfers; to establish distinct classes of Members and to cause to be issued appropriate certificates of membership or memberships in certificateless form.

b. To select and appoint all agents or employees of the Corporation or remove such agents or employees of the Corporation, prescribe such duties and delegate such powers as are consistent 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 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 committee of at least three [3] Members selected by the membership or by a competent auditor or accountant. The report prepared by said committee or auditor or accountant shall be submitted to the Members of the Corporation.

f. To fix and alter the charges to be paid by each Member for services rendered by the Corporation to the member, and to fix and alter the method of billing, time of payment, manner of collection, and penalties for late or nonpayment of the same. The Board may establish one or more types of Members.

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 to provide for adequate property and liability insurance including insurance covering director and officer indemnification obligations of the Association.

h. To approve or ratify all disbursements of Corporation funds; and 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 so long as at least two Board authorized Directors sign checks, to utilize electronic banking services so long as prudent internal controls as determined by the Board are in place to include issuance of electronic fund transfers by at least one Board

authorized Director, with the power to change such banks and the person or persons signing or issuing such checks and transfers and the form thereof at will.

i. To levy assessments, rates and charges against the Members and memberships of the Corporation and to enforce the collection of such assessments by the any lawful means. The Board shall have the option to suspend all rights and privileges of Members holding any membership on which assessments, rates and charges have 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 suspend such rights and privileges if the amount due is not paid. Upon payment of the amount due, the rights, privileges and services shall immediately be returned. In addition to the foregoing, the Corporation shall have the right to cause a forfeiture of any membership for good cause.

j. To establish reserves and to invest Corporation funds as the Board of Directors deems necessary or satisfactory in checking accounts, time deposits, or certificates of deposit at banking institutions insured by the FDIC, NCUA or successor agencies and in obligations of the U. S. Treasury with maturities of ten years or less and money market funds containing only such instruments.

k. To buy, lease, hold, and exercise all privileges of ownership in and to all real or personal property as may be necessary for the conduct and operation of the business of the Corporation or incidental thereto.

l. To authorize any Officer or manager to sign any or all contracts and other instruments in writing on behalf of the Corporation.

m. To disconnect water service of any member for nonpayment of any amount due or for good cause.

ARTICLE VI

Duties of Officers

Section 1] Duties of the President. The President shall preside over all meetings of the Corporation and Board, call special meetings of the Board, 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 may be authorized or directed by the Board. The President shall perform such other duties as may be prescribed by the Board.

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 may declare the office vacant and elect a successor.

Section 3] Secretary. The Secretary shall have general charge and supervision of the records of the Corporation;

sign all such papers pertaining to the Corporation as may be authorized or directed to do by the Board; serve all notices required by law and by these By-Laws and make reports of all matters pertaining to this office to the Members at the annual meeting; supervise the keeping of the corporate seal and membership certificates issued and the affixture of said corporate seal to all papers so requiring; supervise the keeping of all proper membership records showing the name of each member of the Corporation, the date of issuance, sale or conveyance; supervise the making of all reports required by law and perform such other duties as may be required by the Board. Upon the election of a successor, the Secretary shall turn over all records and other property belonging to the Corporation. The Secretary shall also perform such other duties with respect to the finances of the Corporation as may be prescribed by the Board.

Section 4 | **Treasurer.** The Treasurer shall: have general charge and supervision of the books of the Corporation; supervise the keeping of all financial records and the receipt of all revenues; supervise the making of quarterly financial reports to the Board; supervise the making of all financial reports required by law; perform such duties with respect to the finances as may be prescribed by the Board. Upon the election of a successor, the Treasurer shall turn over all books, records and other property belonging to the Corporation.

ARTICLE VII

Benefits and Duties of Members

Section 1 | Each Member shall be entitled to purchase water from the Corporation pursuant to such agreements as may be authorized by the Board and for such purposes and in such amounts as the Board may determine and subject to the Rules, Regulations, policies and rates of the Corporation.

Section 2 | Every Member shall be entitled to connect one residence or equivalent to the Corporation's water system with one metered service line pursuant to specifications adopted by the Board subject to payment of applicable fees and charges and Corporation's water main connection and extension requirements.

Section 3 | In the event the Corporation's water supply shall be insufficient to meet all of the needs of the members, the Corporation may allocate the water available among the various Members on such basis as is deemed equitable by the Board, and may also prescribe a schedule of hours covering the use of water and require adherence thereto and take any other appropriate action as the Board may determine.

Section 4 | The Board shall, from time to time, determine the approximate amount for debt repayment to the United States Department of Agriculture and other lenders and for payment of the cost of internally financed capital improvements applicable on a pro-rata basis to each member for the following calendar year or years, and the monthly rate to be charged each member for such purposes

irrespective of whether any water is used, and the amount of additional charges for water and any other services 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. In order to be entitled to the delivery of water, a Member shall pay such charges at the office of the Corporation at or prior to the dates fixed by the Board. The failure to pay charges duly imposed may result in penalties, disconnection of water service or any other lawful action.

ARTICLE VIII

Section 1 | All funds from whatever sources remaining at the end of the year in excess of those needed to meet current losses and expenses may, in the sole discretion of the Board, be distributed to Members in proportion to the amount of business done by them during the year or be retained for such purposes as retiring indebtedness, establishing or increasing reserves, paying costs of replacing, enlarging or expanding the Corporation's facilities, and reducing subsequent years' water rates. The Corporation will maintain reasonable records from which each Member's rights and interest in the retained funds can be determined at any time.

Section 2 | Upon dissolution of the Corporation, gains from sales of appreciated assets will, to the extent required by law, be distributed to all persons who were Members during the period which the appreciated assets were owned by the Corporation in proportion to the amount of business done by those members during that period insofar as practicable.

ARTICLE IX

Amendments

Section 1 | These By-Laws may be repealed or amended by a vote of a majority of the sum of 1) Members present, and 2) Members voting by mail or proxy at any annual or special meeting of the Corporation called for that purpose.