

**BYLAWS OF
CHUCKANUT TRAIL WATER ASSOCIATION
February 7, 2018**

ARTICLE I

Members

Section 1. The members of The Chuckanut Trail Water Association (hereinafter, the Corporation) shall be only such persons as are bona fide owners of residential properties that have reasonable accessibility and/or are being served by the water sources and water system maintained by the Corporation. The term “membership” as used in these bylaws shall be synonymous with the term “water share.” Properties that have "reasonable accessibility" shall be defined as those lots within the geographical boundaries of the Chuckanut Trail Water System service area as defined by the legal descriptions contained in the governing water rights and by the service area maps recorded with the State of Washington Department of Ecology and/or Department of Health. The final determination of whether a lot lies within the service area shall be subject to the approval of both Departments as their respective interests may require. Initially the Corporation shall have seventy-two (72) memberships. Only memberships recorded on the books of the Corporation constitute an obligation on the part of the Corporation to provide water service to a single-family home or other premise owned by the member, subject to the provisions of the Articles of Incorporation, these bylaws, any water user's agreement between the member and the Corporation, and any operating rules and regulations adopted by the Corporation. Unless a membership is assigned on the books of the Corporation to a specific lot situated within the service area, the membership shall be invalid.

Section 2. One membership shall entitle a property to one water service. Each property served shall have only one (1) vote regardless of the number of persons jointly owning said property. When more than one person owns an interest in said property, the vote shall be exercised by the person in whose name the membership is registered with the Corporation, or by such person as the several joint owners may designate.

Section 3. A membership shall be transferable, but may be transferred only in conjunction with conveyance of the member's ownership interest in the properties being served. Memberships held but not yet utilized to service a particular property may also be transferred, but only to persons having reasonable accessibility to the water system of the Corporation. Transfer of any membership will be effective only when noted on the books of the Corporation, and the member will transfer his membership in the Corporation to his successor in interest when he disposes of his ownership in the property being served. The Secretary, upon request, will note such transfer upon the records of the Corporation.

Section 4. When membership in the Corporation is not transferred, but the property served by said membership is transferred, then the old member's status as a member shall terminate automatically, and the new owner of the property shall assume status as a member of the Corporation.

Section 5. The termination of the membership of any member shall not disqualify for membership any other person who has or obtains an interest in the property of their terminated member and who otherwise meets the requirements of these Bylaws.

Section 6. In the event a member's property interest is divested other than by voluntary means such member's membership will pass to the trustee, receiver, executor, or the like, who will be

entitled, whether in person or through a designated representative, to exercise all of the rights incident to such membership, but subject to such duties and liabilities also applicable to the membership. The trustee, receiver, executor, or the like may terminate such membership by written notice to such effect delivered or mailed to the secretary of the Corporation. Upon the final disposition of such property rights, the owner thereof shall be entitled to membership in like manner as if the membership had been transferred to him by the original member as set forth in these Bylaws.

Section 7. Additional memberships in the Corporation may be created and new members added subject to the approval of the membership as required by the Articles of Incorporation. New members shall pay a membership fee to be established by the Board of Directors of the Corporation. The directors from time to time shall re-evaluate and adjust the membership fee as required to meet the obligations of the Corporation. New members may be assessed an initiation fee in addition to an annual membership fee.

Section 8. The Corporation may assess the members sums necessary for the maintenance and operation of the Corporation or for such other purpose as permitted by the Articles of Incorporation or these Bylaws. Any assessment of the membership must be approved by the Board of Directors and ratified by the majority of the membership present and voting at any general or special meeting called in accordance with these Bylaws. Failure or refusal of any member to pay any assessment levied by the membership may result in cessation of water service to that member's property or termination of that member's membership as the Board of Directors shall determine. Any water charge, assessment or penalty imposed by the Corporation shall also constitute a lien against the member's real property served by the Corporation, and if such charges remain outstanding after demand for payment is made, a notice of claim of lien may be filed, and such lien may be foreclosed in the manner provided for liens or mortgages pursuant to the laws of the State of Washington.

Section 9. In the event the total water supply available to the water system maintained by the Corporation shall be insufficient to meet all of the needs of the members, or in the event there is a shortage of water, the Corporation, through its Board of Directors, 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 purposes by particular members and require adherence thereto or prohibit the use of water for garden purposes. If at any time the total water supply shall be insufficient to meet all of the needs of all of the members, then the Corporation must first satisfy all of the needs of all members for domestic purposes before supplying any water for irrigation or other purposes. Membership, whether that of a developer or residential owner, also may be terminated by action of the board of directors where the use of a property is changed so as to materially increase the amount of water consumed to the prejudice of other existing members or to the prejudice of the orderly operation of the system.

Section 10. Upon the request of the Association, Members shall be required to execute a water users agreement in the form established by the Board of Directors. Such water users agreement may be recorded with the Whatcom County Auditor, and regardless of whether or not the agreement is recorded, such agreement shall constitute a covenant running with the real property associated with the membership.

ARTICLE II

Evidence of Membership

This Corporation shall not have capital stock. Record of Membership in the Corporation shall only be kept on the books of the Corporation. The Corporation's books shall be the sole evidence of a member's right to use and enjoy the benefits of the Corporation's water supply system upon the payment of necessary assessments, if any, and of reasonable charges based upon such use, provided such use and enjoyment are consistent with the rules, regulations and contracts affecting the same as may from time to time be prescribed by the Board of Directors. The corporation's books shall show for each membership the owner's name, the water share number, the identification of the lot, and the last date of transfer. It shall be the duty of the transferor of a membership to notify the Corporation of the details of the transfer of a membership, and the transferor shall be legally responsible for any new assessments and/or fees until said notice has been given.

ARTICLE III

Meetings of Members

Section 1. The annual meeting of the members of the Association shall be held within the last calendar quarter of each year, and at such specific time and place in Whatcom County, Washington, as shall be determined by the Board of Directors, and written notice of the annual meeting shall be given to each member, at least ten (10) days in advance.

Section 2. Special meetings of the members may be called at any time by the action of the Board of Directors, and such meetings must be called whenever a petition requesting such meeting is signed by at least ten (10) 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, both regular and special, shall be mailed by first-class mail or e-mailed to each member of record, directed to the address shown upon the books of the Corporation, not less than ten (10) nor more than forty (40) days prior to such 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 proceedings taken thereat.

Section 4. The presence at a meeting of members entitled to cast in their own right or by proxy twenty percent (20%) of the total number of votes shall constitute a quorum. All proxies shall be in writing and filed with the secretary by e-mail or otherwise. Such proxies may be general or restrictive. Proxies shall be revocable and shall not be valid beyond eleven (11) months, nor after termination of the membership by cessation of the member's interest in the property. A majority vote by members present at a meeting at which a quorum is present shall constitute action by the membership.

Section 5. Directors of this Corporation shall be elected at the annual meeting of the members as provided in these bylaws in Article IV, Section 1. No cumulative voting shall be allowed.

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 directors;
6. Unfinished business;
7. New business; and
8. Adjournment.

ARTICLE IV

Directors and Officers

Section 1. The Board of Directors shall consist of five (5) members, all of whom shall be members of the Corporation. At the annual meeting of the members of the Corporation, the members shall elect or re-elect Board Directors. The term of a Board Director shall be three (3) years.

Section 2. The Board of Directors shall meet within ten (10) days after the annual election of directors and shall elect a president, vice-president, secretary, and treasurer who need not a member of the Board of Directors, 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. Until election of officers following the first annual meeting of the members, only one office may be held by any one member.

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 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 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 of Directors shall constitute a quorum at any meeting of the board. The affirmative vote of the majority of the directors at a meeting at which a quorum is present shall be the act of the board.

Section 5. Compensation of the officers may be fixed only at any regular or special meeting of the members of the Corporation. Directors and officers shall receive no compensation for their services as such.

Section 6. Officers and directors may be removed from office in the following manner: Any member, officer or director may present charges against a director 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 those voting if a quorum is present. The director or officer against whom such charges have been presented shall be informed in writing of such charge at least twenty (20) 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 director is approved, such action shall also vacate any other office held by the removed director of 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. The Board of Directors, from among their number so constituted after the vacancy of the board has been filled, shall fill a vacancy in any office thus created.

ARTICLE V

Duties of Directors

The Board of Directors, subject to restrictions of law, the Articles of Incorporation, and these Bylaws, 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 Directors shall have, and are hereby given, full power and authority in respect to the matters as hereinafter set forth to be exercised by resolution duly adopted by the board:

1. To select and appoint all agents or employees of the Corporation, remove such agents or employees of the Corporation; prescribe such duties and designate such powers as may be consistent with these Bylaws, fix their compensation and pay for faithful services. The board shall further select an individual to serve as manager of the water system to implement the provisions of WAC 248-54 and serve as contact person with the Department of Health. In the absence of selection of a specific individual to serve as manager by the board, the president shall assume responsibilities of the manager.
2. To borrow from any source, money, goods or services and to make and issue notes and other negotiable or non-negotiable instruments evidencing indebtedness of the Corporation; to make and issue mortgages, deeds of trust, pledges or revenue, trust agreements, security agreements and financing statements and other instruments evidencing a security interest in the assets of the Corporation; and, to do every act and thing necessary to effectuate the same.
3. To prescribe, adopt and amend, from time to time, such equitable uniform rules and regulations as, in its 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.
4. To arrange, at least once every two years, for a member of the Corporation, who is not a current member of the Board and who has not served on the Board during the previous two years, to inspect the books of the Corporation and to submit a written financial inspection report to the Board. The report shall include an inspection of the general ledger balances and findings regarding the documentation of general ledger balances and findings regarding the document of income, expenditures, special assessments and accounts receivable. The Board shall distribute the financial inspection report to the members of the Corporation at the annual meeting.
5. To fix and alter the charges to be paid by each member for services rendered by the Corporation to the member, including connection fees and membership fees where such are deemed to be necessary by the directors, and to fix and alter the method of billing, time of payment, manner of connection, and penalties for late or nonpayment of the same. The board may establish one or more classes of users. All charges shall be uniform and non-discriminating within each class of users.
6. 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 person or persons signing such checks and the form thereof at will.
7. To levy assessments against the members of the Corporation in such manner and upon such proportionate basis as the directors deem equitable, and to enforce collection of such assessments by the suspension of water service or other legal methods.
 - (1) The Board of Directors shall have the option to suspend the service of any member who has not paid such assessment within sixty (60) days from the date the assessment was due,

provided the Corporation must give the member at least fifteen (15) days' written notice at the address of the member on the books of the Corporation of its intention to suspend such service if the assessment is not paid. Upon payment of such assessments, any penalties applicable thereto, and a reconnection charge, if one is in effect, service will be promptly restored to such a member.

(2) "Other legal methods" shall include but not be limited to the filing of a notice of claim of lien against the real property associated with the membership that is in arrears. The Board of Directors may exercise this option instead of option (1), above; concurrently with option (1), above; or in addition to option (1), above. The filing of a notice of claim of lien may be used to enforce the collection of unpaid user fees, special assessments, or any other amounts properly assessed against a member that remain unpaid. After a notice of claim of lien has been filed, the Board of Directors may authorize such further action that may be necessary to enforce the lien. Upon payment of the outstanding assessments, any penalties applicable thereto, and any cost associated with the filing of the lien, such lien shall be promptly released.

ARTICLE VI

Duties of Officers

Section 1. Duties of the President. The president shall preside over all meetings of the Corporation and the Board of Directors, call special meetings of the Board of Directors, 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 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 Corporation. The president shall perform such other duties as may be prescribed by the Board of Directors. In the absence of appointment of a manager of the water system by the Board of Directors, the president shall serve as the system manager and contact person with the Department of Health.

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 may declare the office vacant and elect his successor. The vice-president shall further serve as the system manager in the absence of the designated manager and/or the president.

Section 3. Duties of the Secretary. The secretary shall perform the ordinary duties of that office, keeping the minutes of all meetings, necessary stock books, books of account, and all records and papers of the company excepting the treasurer's books of account and anything else necessarily kept in the custody of other officers. He shall countersign and issue all certificates of stock when signed by the president, make all transfers, and the like. He shall mail all notices required by law and the Bylaws of the Corporation. In case of his absence, inability, refusal, or neglect to do so, such notices may be mailed by the president or any other person designated by him.

Section 4. Duties of the Treasurer. The treasurer shall have the care and custody and be responsible for all funds and securities of the Corporation, and shall keep regular books of account in accordance with standard accounting practices, and shall deposit all funds and other valuable effects of the Corporation in such depository or bank as shall from time to time be designated by the Board of Directors. In addition to the foregoing duties and responsibilities, the treasurer shall have and perform such duties as the Board of Directors shall from time to time

designate.

ARTICLE VII

Duties of the System Manager

The duties of the System Manager are as follows:

1. Operate the system in accordance with WAC 246-290, other applicable laws, ordinances and regulations, and the system operations manual;
2. Oversee the normal day-to-day operations;
3. Preventive maintenance;
4. Field engineering;
5. Water quality monitoring;
6. Troubleshooting;
7. Emergency response;
8. Cross-connection control;
9. Implementation of the improvement program;
10. Budget formulation;
11. Response to complaints;
12. Public/press contact.

ARTICLE VIII

Amendments

Section 1. Members Amendment. The Bylaws of this Corporation may be supplemented, amended or repealed by a majority vote of the membership at any annual or special meeting, provided the text of the intended change in the Bylaws is included in notice of the meeting.

Section 2. Directors Amendment. The Board of Directors may supplement, amend or repeal existing bylaws by a two-thirds majority vote of the entire board, but shall not amend or repeal any bylaws adopted by the members of the Corporation.

ARTICLE IX

Restriction on Service

The association shall only provide water to those services that have been approved by the Department of Health.

ARTICLE X

Distribution of Surplus Funds

It is not anticipated that there will be any surplus funds or net income to the Corporation at the end of the fiscal year after provisions are made for the payment of the expenses of operation and maintenance and the funding of the various reserves for depreciation, debt retirement, and other purposes, including those required by the terms of any borrowing transaction. In the event that there should exist such surplus funds or net income, they may be placed in an existing or new reserve account to be used for the early retirement of any outstanding indebtedness or facilities as the Board of Directors may determine to be in the best interest of the Corporation and to the extent not otherwise provided for by any contractual arrangement. The occurrence in subsequent fiscal years of surplus funds or net income above the requirements of the Corporation as above-mentioned, including, if any, a reserve for improvements and extension of the facilities, shall be taken into consideration by the Board of Directors in determining the water rates to be charged

the members,

ARTICLE XI

Fiscal Year

The fiscal year of the Corporation shall be adopted by the board by resolution on advice of the accountants of the Corporation

ARTICLE XII

Indemnification of Officers and Directors

Neither directors, nor any representatives of the board, nor any officer, shall be liable to any party for any action or for any failure to act under or pursuant to the provisions of the e Bylaws or the Articles of Incorporation, provided that such director or person shall have proceeded in good faith and without malice. The Corporation shall from its general fund, defend, hold harmless and indemnify any board member or officer against claims, suits, causes of action or other legal proceedings.

We certify that the foregoing Bylaws were adopted by the membership on February 7, 2018 and supersede and replace all Bylaws adopted previously.

Given under our hands and the seal of the Corporation, the 14th day of February, 2018

SECRETARY

Original signed by Allan Chaloupka, Board Secretary

Allan Chaloupka

PRESIDENT

Original signed by S. Kent Stoddard, Board President

S. Kent Stoddard