

BY-LAWS
OF
CLEAR LAKE WATER USERS ASSOCIATION

ARTICLE I

1. Membership in Clear Lake Water Users Association (hereinafter referred to as Association) shall be limited to those persons owning real property described on Exhibit "A" attached hereto and incorporated herein by reference. Owners are defined as contract purchaser, if any, and if there is no contract purchaser, then the record owner. Voting members are defined as owners of improved real property who are receiving water services from the Association. Members entitled to vote may exercise their right in person or by proxy. Members are entitled to one vote for each separate parcel of improved real property receiving service.

2. The annual meeting of the membership of the Association shall be held on the 1st Monday of June in each year. Special meetings of the membership of the Association may be called from time to time at the discretion of the Board of Directors of the Association (hereinafter referred to as the Board). The President shall call a special meeting within 30 days of receipt of a petition signed by 30% of the members calling for a special meeting. (Amended by Resolution 98-2, January 27, 1998)

3. At any meeting of the membership of the Association 50% of the members shall constitute a quorum. Members are entitled to one vote for each separate parcel of improved real property receiving service.

4. The purpose for which this Association is formed is to acquire, maintain, improve and operate a water works system to furnish a supply of potable water to its members; to conduct and carry on its business or any part thereof; and to exercise all or any of its corporate powers and rights in the State of Washington.

ARTICLE II

1. The business and property of the Association shall be managed by a Board of not less than three (3) nor more than seven (7) Directors.

2. The Directors of the Association shall be elected at the annual meeting of the membership. Any vacancy occurring on the Board during the year by reason of the death, resignation, or removal of a Director shall be filled by the Board. Such appointee shall serve until the next annual election at which time their status will be confirmed by the membership.

3. The term of office of the Directors of the Association shall be three (3) years or until their successors are elected and qualified, with at least one Director being elected each year.
4. The Board shall hold quarterly and special meetings as the officers shall deem necessary for the competent management of the affairs of the Association. Notice of any special meeting shall be given not less than three (3) days prior to the meeting. In an emergency, a meeting may be held immediately by a majority of the Directors.
5. Each Director shall possess one vote in matters coming before the Board. All voting at meetings of the Board shall be by each member in person and voting by proxy shall not be allowed. A majority of the Board shall constitute a quorum.
6. Any Director may be removed from office by a two-thirds vote of the membership at a regular or special meeting of the membership of the Association. Notice of the proposed removal of a Director must be given to such Director prior to the date of the meeting at which such removal is to be voted upon. Notice to the Director must state the cause for the proposed removal.
7. Unexcused absence from three (3) meetings of the Board shall be due cause for removal of a Director.
8. Following the annual meeting, the Board shall elect from their number the following officers: President, Vice-President, Secretary and Treasurer. All Directors shall be members of the Association.
9. No Director shall be personally liable to the Association or its members for conduct as a Director as may be permitted by law (see Article XI).

ARTICLE III
Duties of Officers

1. President. The President of the Board shall supervise all activities of the Association; execute all instruments on its behalf; preside at all meetings of the Board and of the membership of the Association; call such meetings of the membership as shall be deemed necessary other than the annual meeting of the membership; assure an audit is conducted when the Board deems this action advisable; and perform such other duties usually inherent in such office.
2. Vice President. The Vice President of the Board shall act for the President in his/her absence and perform such other acts as the President may direct. In addition, the Vice President shall supervise the activities of the Water Distribution Specialist (WDS) and be responsible for preparation of the annual Consumer Confidence Report (CCR).
3. Secretary. The Secretary of the Board shall keep minutes of all meetings and perform such other acts as the President may direct.

4. Treasurer. The Treasurer shall be accountable for all funds belonging to the Association; pay all obligations incurred by the Association when payment is authorized by the Board; maintain bank accounts in depositories designated by the Board; provide financial reports at quarterly meetings; supervise the bookkeeper's activities; and perform such other acts as the President may direct.

ARTICLE IV
Amendments

These Bylaws may be amended by the Board. The membership will be notified in writing of any amendments made by the Board within thirty (30) days. Members of the Association shall have the right to make, alter or rescind any Bylaw at the regular or special meeting provided that the substance of any amendment or change shall be sent out in the notice of the special or regular meeting.

ARTICLE V
Service

To ensure the availability of an adequate supply of potable water at reasonable pressure and at uniform cost, the following rules are adopted:

1. Water shall be available to those lands described in Article I, paragraph 1.

2. All new connections to the Association's system shall be by written request and accompanied by a plan showing the point of connection, size, type and other descriptions of the pipes, valves and other fittings used, depth of bury, and requirements imposed by the Association. Such plans are subject to approval by an engineer selected by the Association. All costs, including the charge of the Association engineer, shall be paid by the applicant. The Association may require a hook-up fee to place newly serviced parcels on a par with parcels that may have paid for improvements out of previous revenue or assessments. The extension of water mains or connection of laterals needed to serve lands in subdivisions and plats shall be at the expense of the developer or landowner. A water plan shall be drawn by a professional engineer and approved by the Association and the State of Washington Department of Health and/or other governmental agencies as required by law. The water mains/laterals shall be constructed in accordance with specifications on file with the Association and, upon installation, shall become the property of the Association. The Association shall have the right to have its engineer approve any and all lines, mains and laterals prior to backfilling. Mains and/or laterals installed by a developer shall be warranted to be free of defects in workmanship or materials for a period of one year from acceptance by the Board. (Amended by Resolution 94-2, November 2, 1994)

3. Assessment for major repairs or improvements shall be for the benefit of all lands served by the Association and be charged against improved parcels receiving service.

4. This Association shall raise funds to finance operation and maintenance of the Association's system by both regular and special assessments as deemed necessary to cover major repairs and improvements.

5. No water user shall permit his portion of the water system to leak or permit the waste of water to the detriment of other water users. The Board reserves the right to impose limits on water usage in the event of water shortages or problems with the delivery system. If this occurs, the Board will make every effort to contact every water user of the requirement to conserve water. From June 1 through September 15 all water users will be restricted to alternate day lawn and landscape watering based on address. Even numbered addresses will be allowed to water on even numbered calendar days and vice versa for odd numbered addresses.

6. Extreme or prolonged cold weather can drive frost down to the underground water lines. Only the movement of an adequate quantity of water can prevent freezing in these cases. It is the users responsibility to allow sufficient water to flow to prevent freezing. The cost of thawing or repair of damage to the system caused by the water users failure to allow sufficient flow of water to prevent freezing will be charged to the user.

7. To protect the water supply from contamination or pollution, backflow devices are required on all sprinkler systems and will be installed at the user's expense. Backflow devices to be installed shall be approved in advance by the WDS to assure that it is a model approved by the State of Washington Department of Health and/or other governmental agencies as required by law. The policies, procedures, and criteria for determining proper levels of protection shall be in accordance with the Accepted Procedure and Practice in Cross Connection Control Manual- Pacific Northwest Section-American Waterworks Association, Fourth Edition or by superseding editions.

8. It is the user's responsibility to provide monthly water meter readings to report their water usage. Monthly bills will be based on these meter readings. If no meter readings are provided, the account will be considered past due and the following month's bill will be based on the highest monthly usage in the previous twelve (12) months. Accounts more than 30 days past due shall carry a service charge of \$15.00 (fee increased by the Board September 5, 2006) or 1% per month, whichever is greater. Under unusual circumstances the Board can approve modifications for the late fee.

9. An account due to the Association for a period of 60 days or more is delinquent. Service to a member whose account is delinquent, or who may have violated these rules, may be terminated by giving a "Shut-Off-Notice" not less than 15 days prior to the time of terminating service.

Such notice shall give the member an opportunity for hearing before the Board and shall be served on the customer personally, or by certified mail, return receipt requested.

10. Delinquent accounts may, in addition, be collected by civil suit in an appropriate court. Payment of any costs or fees incurred in collecting a delinquent account shall be a condition for receiving service.

11. Services discontinued for non-payment of charges or violation of these rules shall have services restored after payment of all sums due plus all costs involved in terminating and restoring service, and the installation of a shut-off valve box.

12. Return check charges will be assessed to cover bank fees plus Board costs. Also, the bank will not allow returned checks to be resubmitted. (Added by the Board November 10, 2005)

13. Each resident shall be served by a separate service including meter, external shut-off valve and meter box at their expense. (Amended by Resolution 98-2, January 27, 1998)

14. New construction or services: Parties requesting service shall pay all costs for establishing the service including street and blacktop excavation and replacement, if any, all labor and materials including the cost of meter, shut-off valve and meter box. All installation up to the customer's side of the meter shall be the property of the Association upon installation. If extension of a mainline is necessary, the customer will pay all costs to extend the water main to the next property line. (Amended by Resolution 98-2, January 27, 1998)

15. Existing Water Services: Parties are responsible for the upkeep and repairs to their respective water service line(s). If there is a street side water meter, responsibility for the water service line(s) begins at the water meter and extends into the residence. If the water meter is located inside the residence, water service line(s) responsibility begins at the street side curb stop shut-off or the property line and extends into the residence. (Added by Resolution 98-2, January 27, 1998)

16. No person shall tap onto the Association's water system without approval of the Board, nor shall any person disconnect, remove or otherwise tamper with any water meter. All service lines must be metered at the user's expense.

ARTICLE VI

The rate for domestic water service shall be determined by the Board and paid monthly. A hook-up charge shall be assessed to include purchase of the water meter from the Association and all costs necessary to hook up the new service to the existing system, together with any assessments paid by other water users for improvements to the system. The Board has the authority to set and

charge a hook-up fee that reflects the costs of the current system. Any change in hook-up fee will be documented in the Board minutes and discussed at the next Annual Corporation Meeting.

ARTICLE VII

The latest edition of Roberts Rules of Order shall be the authority for the orderly conduct of business.

ARTICLE VIII

1. All funds belonging to the Association shall be deposited in checking or savings accounts as the Directors may direct. All payments by the association made by check shall be signed by two designated individuals. Designated individuals shall include the President, Treasurer, Secretary, and other individuals appointed by the Board.

2. A Capital Improvement Fund shall be established to accumulate funds specifically designated for expenditures on Capital Improvements. The amount set aside for capital improvements shall be determined by the Board each year. Expenditures of these segregated funds for capital improvements must be approved by the Board and may only be spent on capital improvements. (Added by resolution 00-1, September 29, 1999)

ARTICLE IX

Membership in this Association shall be appurtenant to the land and once granted may not be revoked. This Bylaw shall not be construed to prevent termination of domestic water service to any member who is delinquent in payments to the association or has in any way violated these Bylaws or other rules or regulations of the Association.

ARTICLE X

Employees

The Association will employ two permanent part-time positions, Water Distribution Specialist and Bookkeeper, financed by the Association operating funds. See Article III for supervisory responsibilities. Any other employees will be hired at the discretion of the Board.

ARTICLE XI

Indemnification

1. A Director or officer of the Association shall, at the discretion of the Association by and through its Directors, an employee or an agent, be indemnified against any liability, costs, claim or expense (including attorney fees), civil, criminal or by way of settlement, incurred by or

imposed against him/her by reason of the fact that he or she is or was a Director or officer (or employee or agent at the discretion of Directors) of the Association, in accordance with and to the fullest extent allowed by law in effect, or as hereafter from time to time amended.

2. The right of indemnification provided for in this Article shall be in addition to and not exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, contract or insurance, resolution or otherwise, as allowed under law. Without limiting the generality of the foregoing, such indemnification shall extend to amounts paid in settlement by a Director or officer, cover actions of a Director or officer both in his/her official capacity and in another capacity for the Association while holding such office, and continue as to be available to a person who has ceased to be a Director or officer and inure to the benefit of his/her heirs, executors, and administrators.

(Article XI added by Resolution 94-1, August 16, 1994)