

THE BY LAWS OF HOLMES HARBOR
WATER CO, INC.

ARTICLE I – Purposes

Section 1. This corporation shall be conducted as a non-profit maintenance corporation for the purposes set forth in the Articles of Incorporation for the area situated in Island County, Washington.

Section 2. The corporation shall have the power to levy and collect assessments against its members for the uses and purposes set forth in the Articles of Incorporation and By-Laws of this corporation and shall have the right to collect said dues or assessments as a debt and limit the right of the member to use the facilities until the debt be paid.

Section 3. The purposes for which this corporation was created may be altered, modified, enlarged or diminished by the vote of three fourths of the members at a meeting duly called for such purpose, notice of which meeting shall be given in the manner provided by the by-laws of giving of notice for the election of trustees.

ARTICLE II – Membership

Section 1. The membership of the corporation shall consist of and be limited to the incorporators and after October 1, 1964, the owners or purchasers of tracts in the Holmes Harbor Estate Plat, Division No. 1, and such other area as Holmes Harbor Estates, Inc. may designate, who shall have one membership regardless of the number of tracts so owned or purchased, and the interest of each member shall be equal to that of any other member, and no member can acquire any interest which shall entitle him to any greater vote, voice or authority in the corporation than any other member. A purchaser under a contract of purchase shall be deemed to be an owner for membership purposes. If any tract or tracts are held by two or more persons, the several owners of such interest shall be entitled collectively to cast one vote.

Section 2. Except as hereinbefore otherwise provided and as declaratory of the foregoing, no membership shall be voted unless represented by the owner or purchaser as aforescribed of an individual tract or tracts to which it is and shall be inseparably appurtenant. The intent being that only persons with a right to possession of one or more tracts shall be entitled collectively to cast one vote.

Section 3. Membership and certificates of membership evidencing the same shall be inseparably appurtenant to tracts owned by the members, and upon transfer of ownership, or contract of sale, or any such tracts, membership or certificates of membership shall ipso facto be deemed to be transferred to the contract purchaser. No membership or certificate of membership may be transferred, assigned or in any manner conveyed, other than in the manner hereinbefore set forth. In the event of the death of a member, the membership and certificate of membership of such member shall be and

become the property of the personal representative of such deceased member upon the appointment and qualification as such in a judicial proceeding and such personal representative shall have all of the rights, privileges and liabilities of the deceased member until the title shall be transferred or contracted to be transferred.

Section 4. No membership shall be forfeited nor member be expelled, but his rights to use facilities may be restricted until all charges are paid. No member may withdraw except upon transfer of title to the real property to which his membership is appurtenant, as elsewhere herein provided, no compensation shall be paid by the corporation upon any transfer of membership and no member whose membership is transferred shall be entitled to share or participate in any of the property or assets of the corporation.

ARTICLE III – Dissolution

In the event of the dissolution of the corporation each person who is then a member shall receive his pro-rata proportion of the property and assets after all its debts have been paid.

ARTICLE IV – Trustees and Officers

Section 1. Corporate powers of the corporation shall be vested in a Board of Trustees. The number of trustees who shall manage the affairs of the corporation shall be four. At any meeting or special meeting called therefor the members may increase or decrease the number of trustees to any number not more than nine or less than three.

Section 2. At the first meeting of members at which trustees are elected to succeed the original trustees there shall be elected four trustees; one to serve until the next following annual meeting of the members, one to serve until the second following annual meeting, one to serve until the third following annual meeting, one to serve until the fourth following annual meeting. Thereafter trustees shall be elected to serve for five years, or until their successors are elected and duly qualified.

Section 3. Each trustee shall be an incorporator or a member who shall not have lost his right to vote by reason of having disposed of land to which his membership is appurtenant.

Section 4. In the event a trustee, other than an incorporator, ceases to be the owner of the land to which his membership is appurtenant, or of a contract for the purchase thereof, he shall thereby cease to be a trustee and his office shall become vacant upon written notification without action other than to spread such fact upon the minutes of the Board of Trustees.

Section 5. At the first meeting of the Board of Trustees after each annual meeting of the members, the Board of Trustees shall elect a president, vice president, secretary

and treasurer. The board may also at any time appoint an executive secretary and/or assistant secretary and/or assistant treasurer. Officers of the corporation so elected shall hold office for the term of one year and until their successors are qualified. Any officer may be suspended or removed by a majority vote of all of the trustees.

Section 6. No trustee or officer, except the executive secretary and/or the assistant treasurer shall receive any salary or compensation from the corporation.

Section 7. Any vacancy occurring in the Board of Trustees shall be filled by appointment by a majority of the remaining trustees. The person so appointed shall hold office until the next regular meeting of the members of the corporation, at which annual or adjourned annual meeting the vacancies for the remainder of the original terms, if any, shall be filled by election by the members in the regular manner.

ARTICLE V – Meetings

Section 1. Annual meeting of the members of the corporation shall be held at the principal place of business of the corporation or at such other place as the Board of Trustees may elect. The annual meetings shall be held on the second Saturday of January of each year. Notice thereof shall be given by the Secretary by mailing notice to each member not less than twenty days prior to the date of the meeting.

Schedule of meeting notification by the Secretary set by vote of the membership at July 1, 1990 Special Meeting. Date of meeting set by vote of the membership at January 10, 2004 Special Meeting.

Section 2. Special meetings of the members may be called at any time by the president or a majority of the Board of Trustees or by members representing ten percent of the membership of the corporation. Notice of a special meeting, stating the object thereof, shall be given by the secretary by mailing such notice to each member not less than five days prior to the date on which such meeting is to be held.

Section 3. At all annual and special meetings of the members, twenty percent of all of the members of the corporation shall constitute a quorum for the transaction of business. Each member shall be entitled to one vote.

Section 4. Special meetings of the Board of Trustees shall be called at any time by the secretary on order of the president or majority of the Board of Trustees. The secretary shall give each trustee notice, personally, verbally, by mail or by telephone, of all regular and special meetings at least one day previous thereto.

Section 5. A member may exercise his right to vote by proxy.

ARTICLE VI – Powers and Duties of Trustees

Section 1. Subject to limitation in the Articles of Incorporation and the By-Laws and the laws of the State of Washington, all powers of the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be controlled by, the Board of Trustees. Without prejudice to such general powers, and

subject to the same limitations, it is hereby expressly declared that the trustees shall have the following powers:

Section 2. To select and remove all of the other officers, agents and employees of the corporation, prescribed such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the By-Laws, fix their compensation and require from them security for faithful service.

Section 3. To conduct, manage and control the affairs and business of the corporation, and to make such rules and regulations therefore not inconsistent with law, with the Articles of Incorporation and the By-Laws, as they may deem best.

Section 4. To issue certificates of membership only to the owners or purchasers of tracts hereinbefore described, subject to such conditions or terms as provided in the Articles of Incorporation and By-Laws.

Section 5. To cause to be kept a complete record of all minutes and acts and to present a full statement to the regular annual meeting of members showing in detail the condition of the affairs of the corporation.

ARTICLE VII – Duties of Officers

Section 1. President: The President shall preside at all meetings of the trustees and members he shall sign as President all certificates of membership and all contracts or other instruments in writing authorized by the Board of Trustees, he shall call special meetings of the trustees or of the members whenever he deems it necessary; he shall have and exercise under the direction of the Board of Trustees the general supervision of the affairs of the corporation.

Section 2. Vice-President: The Vice-President shall preside at all meetings in the absence of the president, and in case of the absence or disability of the president will perform all of the duties of the president which are incidental to his office.

Section 3. Secretary: The secretary shall issue all notices and shall attend and keep the minutes of all meetings; he shall have charge of all corporate books, records and paper; he shall be custodian of the corporate seal, shall attest his signature and impress with the corporate seal all written contracts of the corporation, and shall perform all such other duties as are incidental to his office.

Section 4. Treasurer: The Treasurer shall keep safely all moneys and securities of the corporation and disburse the same under the direction of the Board of Trustees. He shall cause to be deposited all funds of the corporation in a bank selected by the trustees. At each annual meeting of the members, and at any time directed by the trustees, he shall issue and present a full statement showing in detail the condition of the affairs of the corporation.

Section 5. The executive secretary and/or assistant secretary and/or assistant treasurer, if appointed by the Board of Trustees shall perform such duties as may be designated by it.

Section 6. Any officer, other than the president, may occupy two offices concurrently if the Board of Trustees so directs.

ARTICLE VII – Certificates of Membership and Transfers

Section 1. A certificate of membership in the corporation shall be issued to each member. All such certificates shall be signed by the president or vice president, and the secretary.

Section 2. All memberships and certificates evidencing same shall be inseparably appurtenant to the tract, tracts or fractional tracts owned by the holders thereof and upon sale or contract to sell such memberships and such certificates shall become the property of the grantee or purchaser as hereinbefore provided. No transfer of membership shall entitle the transferee to vote the same until it has been established to the satisfaction of the secretary that such transfer is bona fide and has been made in the manner provided.

Section 3. Unless specifically requested by the owner and holder thereof, it shall not be necessary that certificates of membership be actually issued but any owner or purchaser of a tract or tracts within the said district may exercise all of the rights and privileges and shall be subject to all of the liabilities of membership without the actual issuance and possession of such certificates of membership.

ARTICLE IX – Assessments

Section 1. The members of the corporation shall be liable for the payment of such charges or assessments as may from time to time be fixed and levied by the Board of Trustees pursuant to the Articles of Incorporation and these By-Laws. The amount of such charges and assessments levied upon the owner of a lot shall in no event, except as herein provided exceed in any one year the sum of \$100.00, unless the member is a water customer. The Board of Trustees shall set a water rate that is reasonable for the service supplied. When an assessment is made it shall be due with 30 days from the date that it is levied. Monthly water bills shall be due on the 10th of the month or at such other time as the trustees may establish.

Section modified by vote of the membership at July 1, 1990 Special Meeting (increased size of maximum assessment).

Section 2. The Board of Trustees shall charge a reasonable amount for each water share/service connection. Such amount to be set from time to time by the Board of Trustees at a regular meeting or at a special meeting called for that purpose.

Section was added by vote of the membership at July 1, 1990 Special Meeting.

Section 3. Water service may be suspended for non-payment of an account and the board of Trustees may make reasonable rules and regulations pertaining to said suspension and it may establish reasonable penalties.

Section was added by vote of the membership at July 1, 1990 Special Meeting.

ARTICLE X – Amendments

These By-Laws may be amended at any time by a vote of a majority of the members of the corporation at any regular meeting or any special meeting called for that purpose.

Article modified by vote of the membership at July 1, 1990 Special Meeting.

ARTICLE XI – Date of Adoption

These By-Laws are adopted by this corporation the 16th day of September, 1964, and are to be attached to the minutes of that date.