

**BY-LAWS
of
UMPQUA BASIN WATER ASSOCIATION, INC.**

**ARTICLE 1
General Purposes**

The purpose for which this Association is formed and the powers which it may exercise are set forth in the Articles of Incorporation of the Association.

**ARTICLE II
Name and Location**

Section 1. The name of this Association is UMPQUA BASIN WATER ASSOCIATION, INC., a cooperative.

Section 2. The principal office of this Association shall be located in the City of Roseburg, County of Douglas, State of Oregon, but the Association may maintain offices and places of business at such other places within or without the State as the Board of Directors may determine.

**ARTICLE III
Seal**

Section 1. The seal of the Association shall have inscribed thereon the name of the Association, the year of its organization, the words "A Cooperative", and the word "Oregon".

Section 2. The Secretary of the Association 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 Association shall begin the first day of January in each year.

**ARTICLE V
Membership**

Section 1. The holders of membership certificates of this Association are its members. Any bona fide owner or occupant of a farmstead or dwelling, any bona fide owner or operator of an industrial installation or commercial establishment, any bona fide public or non-profit institution, and any bona fide owner of unimproved real property having reasonable accessibility to the source of and who is in need of having water supplied for domestic, livestock, garden, industrial and commercial purposes from the water system operated by the Association, and who receives the approval of the Board of Directors may be admitted to membership upon subscribing for or otherwise acquiring a membership certificate, and by signing such

agreements for the purchase of water as may be provided and required by the Association: provided that no person otherwise eligible shall be permitted to subscribe for or acquire a membership certificate of the Association if the capacity of the Association's water system is exhausted by the needs of its existing members. A husband and wife may jointly become a member of this Association, provided the husband and wife comply jointly with all the requirements of membership.

In the event a husband and wife who jointly hold a certificate of membership are divorced, and no disposition of the certificate of membership is made by the parties or by the decree of divorce, such membership certificate shall thereafter be deemed to be held solely by the party to such divorce suit who received, either by court decree or by agreement, the real property upon which such membership is based, and the joint membership certificate may be surrendered by such party to the Association together with a copy of the decree or the conveyance transferring the ownership of said property, and the membership certificate may then be reissued to and in the name of the party who received the property upon which such membership certificate is based.

A certificate of membership may be transferred by a member to himself or herself, and his or her spouse, as the case may be, jointly upon the written request of such member. When a certificate of membership is held jointly by husband and wife, upon the death of either, such membership certificate shall be deemed to be held solely by the survivor with the same effect as though such membership certificate had originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor, and upon the recording of such death on the books of the Association, the membership certificate may be reissued to and in the name of such survivor; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Association.

Section 2. When holders of mortgages or beneficiaries of trust deeds on properties of members, which properties are served by the Association, give notice in writing to the Association of the existence of such mortgages or trust deeds, then the holders of said mortgages and beneficiaries of said trust deeds shall receive copies of all communications sent by the Association to the members on whose properties the mortgages and trust deeds exist. If the holders of these mortgages or the beneficiaries of these trust deeds, by purchase at a foreclosure sale or through voluntary conveyance by the property owner, obtain title to the property, they shall be admitted to membership in the Association, provided they agree to purchase water from the Association. Persons who purchase a property from mortgage holders or trust deed beneficiaries who have thus acquired title to the property shall also become members of the Association if they agree to purchase water from the Association. If a sale is held when the mortgage or trust deed is foreclosed, the purchaser shall be entitled to become a member of the Association if he agrees to purchase water from the Association. If a property is sold in more than one parcel, the Board of Directors shall determine which parcel shall entitle the owner thereof to membership in the Association.

Section 3. In case of the death of a member, or if a member ceases to be eligible to hold membership as provided in Section 1, or willfully fails to comply with these By-Laws and other requirements, or willfully obstructs the purposes and proper activities of the Association, the Association, through the Board of Directors, may elect to purchase his membership certificate and terminate his membership upon tender to him or his heirs or legal representatives of the fair

book value of this membership certificate as determined by the Board of Directors, together with any dividends due and unpaid, less any indebtedness then due from him to the Association. Any member whose membership is so terminated for cause other than that of ceasing to be eligible may appeal from the action of the Board of Directors to a vote of the members at the next regular meeting of the members or special meeting of the members called for such purpose.

ARTICLE VI

Membership Certificates

Section 1. This Association shall not have capital stock, but its capital shall be represented by membership certificates.

Section 2. The membership certificate 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 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 Umpqua Basin Water Association, Inc.

b. Transfers of membership certificates shall be made only upon the books of the Association, only to persons eligible to become members, only with the approval of the Board of Directors and only when the member transferring is free from indebtedness to the Association.

c. No member of this Association shall be entitled to more than one vote at meetings of the members, without regard to the number of memberships such member may hold. If a husband and wife hold a joint membership, they shall jointly be entitled to one vote and no more. Every member upon becoming a member of this Association agrees to sign such agreements for the purchase of water from the Association as may from time to time be provided and required by the Association and agrees in case he desires to dispose of his membership certificate, to first offer the same to the Association at its fair book value and that he will make no offer of assignment or sale of the same unless the Association shall fail after 30 days notice in writing so to purchase the membership certificate.

Section 3. Each member agrees to sign such water users agreements as the Association shall from time to time provide and require. When a member holds a membership certificate based upon the ownership of unimproved real property, the member shall not be required to sign a water users agreement covering said unimproved real property until a dwelling is substantially completed on such unimproved real property, or until five years after the issuance of such membership certificate, whichever first occurs. Provided, however, that the Board of Directors may, upon application of such member, extend such five year period for additional periods of not to exceed one year each. Each such member holding such membership certificate agrees to sign such water users agreement covering such property forthwith upon substantial completion of a dwelling on such property, or forthwith after the expiration of said five year period. In the event such member fails to sign such water users agreement, then such member's membership certificate shall automatically terminate, and all monies paid by such member shall be retained by the Association.

UMPQUA BASIN WATER ASSOCIATION, INC.
Application for Membership

1. The undersigned (hereinafter called "Applicant") hereby applies for membership in Umpqua Basin Water Association, Inc. (hereinafter called "Association") upon the following terms and conditions.
2. Applicant agrees to comply with and be bound by the Articles of Incorporation, the By-Laws of Association and by amendments thereto and such rules and regulations as may be adopted from time to time by the Association.
3. Applicant agrees, when service becomes available, to execute such water users agreements as may be required by the By-Laws and rules and regulations of Association.
4. Applicant further agrees:
 - a. To pay to Association the sum of \$_____ which, if this application is accepted by the Board of Directors, will constitute applicant's membership fee.
 - b. To deposit with Association such consumer's deposit as is required by the Board of Directors, it being expressly understood that such deposit shall be non-interest bearing.
 - c. That deposit specified in (b) above shall be refundable to Applicant upon termination of membership, except any portion applicable to the payment of bills due Association.
 - d. To pay to Association a fee of \$_____ within _____ days after acceptance of membership as set forth on Article XI, Section 2 of the By-Laws of Association and resolutions of the Board of Directors adopted pursuant thereto.

Dated this ____ day of _____, 19 ____

Description of Property:

Member _____

Member _____

Address: _____

Accepted by the Board of Directors

_____, 19 ____

President

Secretary

UMPQUA BASIN WATER ASSOCIATION, INC.
Water Users Agreement

THIS AGREEMENT between UMPQUA BASIN WATER ASSOCIATION, INC., a corporation organized and existing under and by virtue of the laws of the State of Oregon, hereinafter called "Association," and

a member of Association, hereinafter called "Member."

WITNESSETH:

WHEREAS, Member desires to purchase water from Association and to enter into a water users agreement as required by the By-Laws of Association.

NOW, THEREFORE, in consideration of the mutual covenants, promises and agreements herein contained, it is hereby understood and agreed:

1. Association agrees to furnish, subject to the limitations hereinafter provided, such quantity of water for domestic, industrial, commercial, livestock and garden purposes as Member may desire in connection with his occupancy of the following described real property in Douglas County, Oregon:

Provided, however, that Member may have delivered to him through a single service line only such water as may be necessary to supply the needs of persons residing in a single dwelling, and of the livestock owned by such persons, and to irrigate a garden of not to exceed $\frac{1}{4}$ acre, or such water as is needed to supply the industrial, commercial or domestic needs of Member if Member is other than a farmer or rural resident.

2. Member agrees and acknowledges the water requirement is for the specific single family dwelling, residence or structure as described above as the real property in Douglas County, Oregon. Member also acknowledges that if there is more than the single family dwelling, residence or structure as described above as the real property in Douglas County, Oregon, a second water meter may be required. If Member has an approved, or acquires a Douglas County Hardship, at the above described real property, then Member will comply with the Association's Hardship Policy for said parcel.

3. Member agrees to pay for such water as he may use at the rate prescribed by the Board of Directors of Association pursuant to the provisions of the By-Laws of Association, the water delivered through each service line being metered and the cost thereof determined separately. A flat minimum monthly rate shall be charged each Member for the first _____ gallons of water or any fraction thereof, such flat minimum rate to be payable irrespective of whether any water is used by Member during any such period, and additional charges will be made for additional water used by Member. The determination of the quantity of water used by each Member will be based upon reading of water meters installed by the Association as provided for by the By-Laws. The rates to be charged by Association shall always be sufficient to enable it to pay all costs of operation and maintenance of the water system and interest and principal on loans and other indebtedness of Association and to provide funds to meet replacements and additions to the system and unforeseen contingencies.

4. Member agrees to provide and maintain a direct open and clear access to read, and maintain water meter as needed by Association. Failure to do so will result in charges to Member for Association to open, and clear access to read and maintain water meter. Member

further agrees to acknowledge and keep any and all easements affecting Members parcel open for Association's access to mainlines and service lines.

5. 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, Association 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; provided that if at any time the total water supply shall be insufficient to meet all of the needs of all of the members for domestic, livestock, garden, industrial and commercial purposes Association must first satisfy all the needs of the members for domestic purposes before supplying any water for livestock purposes, and must satisfy all of the needs of all of the members for both domestic and livestock purposes before supplying any water for garden and industrial and commercial purposes.

6. Payment of the flat minimum rate and of additional charges for additional water supplied member shall be made at such time as the Board of Directors of Association may prescribe; provided that if payment of such charges is not made for a period of thirty days after they become due, Association shall have the right to refuse to supply water to Member until payment is made; and provided further that in the event payment of such charges is not made for a period of sixty days after they become due, Association may, in addition to all other rights and remedies that it may have, elect to purchase Member's membership certificate and terminate his membership in the manner provided by Association's By-Laws, and in such event, Member shall not be entitled to receive, nor Association obligated to supply, any water under this agreement.

7. This agreement shall be in full force and effect continuously hereafter so long as Member shall continue to be a member of Association; provided that if a husband and wife have jointly signed this agreement and said husband and wife are joint holders of a certificate of membership in Association, then upon the death of either, this agreement remains in full force and effect between the survivor and Association as though this agreement had originally been signed solely by such survivor.

IN WITNESS WHEREOF, the parties hereto have executed this agreement this ____ day of _____, 19____.

UMPQUA BASIN WATER ASSOCIATION, INC.

By _____ President

ATTEST: _____ Secretary-Treasurer

Member _____

Member _____

ARTICLE VII

Meetings of Members

Section 1. The annual meeting of the members of this Association shall be held within Douglas County, State of Oregon, at 7:30 o'clock p.m. on the third Thursday in March of each year, if not a legal holiday, or if a legal holiday, on the next business day following, and not more than ninety days after the close of the fiscal year.

Section 2. Special meetings of the members of the Association may be called at any time by the Secretary upon request of the Board of Directors, or upon the filing of a petition with the Secretary which is signed by at least ten per cent of the members of the Association. 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 Association may be given by a notice mailed to each member of record, directed to the address shown upon the books of the Association, at least ten 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 meetings of the members shall constitute a quorum at any meeting of the Association for the transaction of business. The voting powers of the members of this Association shall be equal, each member shall have one vote only, and no voting by proxy shall be allowed.

Section 5. Directors of this Association shall be elected at the annual meeting of the members.

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.
8. Adjournment.

ARTICLE VIII

Directors and Officers

Section 1. The territories served or to be served by the Association shall be divided into six districts, each of which shall contain as nearly as practicable the same number of members. Each district shall be represented by one director, and one director shall be elected at large to

represent the entire territory served or to be served by the Association. The six districts shall be as shown in "Appendix A".

Not less than sixty (60) days before any meeting of the members at which directors are to be elected, the Board of Directors shall review the composition of the several districts and, if it should be found that any inequalities in representation have developed which can be corrected by a redelineation of the districts, the Board of Directors shall reconstitute the districts so that each shall contain as nearly as practicable the same number of members, and Appendix A of these By-Laws shall be considered to be amended accordingly.

Section 2. The Board of Directors of this Association shall consist of seven members, all of whom shall be members of the Association. At the first meeting of the members, the members shall elect seven directors who shall serve until the next annual meeting of the members, at which time the members shall elect directors from districts number one and two for a term of one year; directors from districts number three and four for a term of two years; directors from districts number five and six for a term of three years; and a director from the Association at large for a term of three years. Thereafter, each director shall be elected for a term of three years. Each director shall hold office until his successor has been elected and qualified and entered upon the discharge of his duties.

No member shall be eligible to become or remain a director who is not a bona fide resident of the particular district which he is to represent. When a membership is held jointly by a husband and wife, either one, but not both, may be elected a director.

It shall be the duty of the Board of Directors to appoint a nominating committee during the month of January of each year. This committee shall consist of two members from each of the voting districts for which a director is to be elected. No member of the Board of Directors may serve on such a committee. The committee shall prepare and post at the principal office of the Association on or before March 1 of each year a list of nominations for directors. Not more than two candidates shall be nominated for each vacancy from each district by the committee. Any ten or more members from any given district acting together may make other nominations from their particular district, but not otherwise, by petition filed at the principal office of the Association on or before March 5 of each year. The Secretary forthwith shall post the names of all such nominees at the same places as the list of nominations made by the nominating committee is posted.

Section 3. The Board of Directors shall meet within ten days after the annual election of directors and shall elect a President and Vice President from among themselves and a Secretary-Treasurer, 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.

Section 4. 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 is eligible under these By-Laws, and who shall hold office for the unexpired term of the director whose place he fills. The disqualification of a director as a member of the Association shall operate to disqualify him as a director and to create a vacancy in the office of director.

Removal by a director of his residence from the particular district which he represents shall also operate to disqualify him as a director and to create a vacancy in the office of director.

Section 5. Regular meetings of the Board of Directors shall be held on the second Thursday of each month at 7:30 o'clock p.m. A majority of the Board of Directors shall constitute a quorum at any meeting of the Board.

Section 6. Compensation of officers may be fixed at any regular or special meeting of the members of the Association. Directors shall receive no compensation for their services as such.

Section 7. Any member bringing charges against an officer or director shall file then in writing with the Secretary of the Association; and the Secretary shall immediately notify the officer or director of the charges filed against him. The officer or director may then file with the Secretary a statement giving concisely his defense against the charges made. The Board of Directors shall take the matter up at its next meeting and take such action as it deems to be for the good of the Association. If the charges are accompanied by a petition requesting the removal of the officer or director, signed by ten per cent of the members, and are filed with the Secretary at least fourteen days previous to any general or special meeting, the Secretary shall prepare and mail to each member with the regular notice a ballot calling for a vote upon the removal of the officer or director. Accompanying the notice and ballot the Secretary shall enclose a statement giving the charges against the officer or director; and at the request of the accused officer or director, the Secretary shall enclose with this statement to each member a copy of the written defense as filed. By a vote of the majority of the total membership present or represented by ballot the Association may remove the officer or director and fill the vacancy.

ARTICLE IX

Duties of Directors

Section 1. The Board of Directors, subject to restrictions of law, the Articles of Incorporation, or these By-Laws, shall exercise all of the powers of the Association, 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 (to be exercised by resolution adopted by a majority vote of all members of the Board of Directors) in respect to the matters as hereinafter set forth.

- a. To pass upon the qualifications of members, and to cause to be issued appropriate certificates of membership.
- b. To select and appoint all officers, agents or employees of the Association, or remove such officers, agents or employees of the Association for just cause, prescribe such duties and designate such powers as may not be 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 Association and the 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 Association by a competent public auditor or accountant. The report prepared by such auditor or accountant shall be submitted to the members of the Association at their annual meeting.

f. To fix the charges to be paid by each member for services rendered by the Association to him, 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 of the funds of the Association to give adequate bonds, the cost thereof to be paid by the Association, and it shall be mandatory upon the directors to so require.

h. To select one or more banks to act as depositories of the funds of the Association and to determine the manner of receiving, depositing, and disbursing the funds of the Association 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.

ARTICLE X

Duties of Officers

Section 1. Duties of President. The President shall preside over all meetings of the Association 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 Association 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 Association. The President shall perform such other duties as may be prescribed by the Board of Directors.

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.

Section 3. Duties of the Secretary-Treasurer. The Secretary-Treasurer shall keep a complete record of all meetings of the Association and of the Board of Directors and shall have general charge and supervision of the books and records of the Association. He shall sign all membership Certificates with the President and such other papers pertaining to the Association as he may be authorized or directed to do so by the Board of Directors. He shall serve all notices required by law and by these By-Laws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting. He shall keep the corporate seal and membership certificate records of the Association, complete and countersign all certificates issued, and affix said corporate seal to all papers requiring seal. He shall keep a proper membership certificate record, showing the name of each member of the

Association, and date of issuance, surrender, cancellation, or forfeiture. He shall make all reports required by law and shall perform such other duties as may be required of him by the Association or the Board of Directors. He shall serve all notices required the Secretary-Treasurer shall turn over to him all books and other property belonging to the Association that he may have in his possession. He shall also perform such duties with respect to the finances of the Association as may be prescribed by the Board of Directors.

ARTICLE XI

Benefits and Duties of Members

Section 1. The Association 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 member of the Association, at which points, designated as delivery points, meters to be purchased, installed, owned and maintained by the Association shall be placed. The cost of the service line or lines from the main distribution pipe line or lines of the Association to the property line of each members shall be paid by the Association. The Association will also purchase and install a cut-off valve in each service line from its main distribution line or lines, such cut-off valve to be owned and maintained by the Association and to be installed on some portion of the service line owned by the Association. The Association shall have the sole and exclusive right to use such cut-off valve and to turn it on and off.

In the event that the Board of Directors shall determine that it would be economically unfeasible for the Association to extend a service line from the main distribution pipe line or lines to the property line of any member, then and in such event, the Association may enter into an agreement with such member for the payment by the member of all or a portion of the cost of such service line or such member may at his option, surrender his membership certificate to the Association and shall thereupon be entitled to a refund of all membership fees and other charges paid by such member before the issuance of his membership certificate.

Section 2. The holder of each membership certificate, upon execution by him of the water users agreement above mentioned, shall be entitled to one $\frac{3}{4}$ inch service line from the Association's water system, provided that the member shall be required to pay a fee of \$ _____ for such service line, and a water users deposit of \$ _____. The Board of Directors may provide by resolution that from and after a certain date set forth in such resolution said fee shall be increased to a sum specified in such resolution. No new service line or change in an existing service line may be made which will interfere with an existing service line or the delivery of water therein. Each service line shall connect with the Association's water system at the nearest available place to the place of desired use by the member if the Association'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 Association'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 Association. Each member will be required to dig or have dug a ditch for the connection of the service line or lines from the property line of the member to his dwelling or other portion of his premises and will also be required to purchase and install the portion of the service line or lines from his property line to the place of use on his premises and to maintain such portion of such service line or lines which shall be owned by the member, at his own expense, provided that the

Association may, if the Board of Directors so determine, purchase the pipe for and install such portion of such service line or lines, the cost of which will, however, be paid by the individual members.

Section 3. Each member shall be entitled to purchase from the Association, pursuant to such agreements as may from time to time be provided and required by the Association, 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 to such rules and regulations as may be prescribed by the Board of Directors. Each member shall be entitled to have delivered to him through a single service line only such water as may be necessary to supply the needs of the persons residing in a single dwelling and of the livestock owned by such persons and to irrigate a garden of not to exceed $\frac{1}{4}$ acre, or such water as is needed to supply the industrial, commercial or domestic needs of the member if member is other than a farmer or rural resident. The water delivered through each service line shall be metered and charges for such water shall be determined separately, irrespective of the number of service lines owned by a member.

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 Association 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; provided that if at any time the total water supply shall be insufficient to meet all of the needs of all of the members for domestic, livestock, garden, industrial and commercial purposes, the Association must first satisfy all of the needs of all of the members for domestic purposes before supplying any water for livestock purposes and must satisfy all of the needs of all of the members for both domestic and livestock purposes before supplying any water for garden and industrial and commercial purposes.

Section 5. The Board of Directors shall, prior to the beginning of each calendar year, determine the flat minimum monthly rate to be charged each member during the following calendar year for a specified quantity of water, such flat minimum monthly rate to be payable irrespective of whether any water is used by a member during any month, and the amount of additional charges, if any, for additional water which may be supplied the members; shall fix the date 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 Association at or prior to the dates fixed by the Board of Directors. The failure to pay water charges duly imposed shall result in the automatic imposition of the following penalties:

- a. Non-payment for thirty days after due; At the discretion of the Board of Directors, the water shall be cut off from the delinquent member's property.
- b. Non-payment for sixty days after due; At the discretion of the Board of Directors, membership in this Association shall be terminated and the membership certificate purchased as provided for in Article V, Section 3 of these By-Laws.

Section 6. The Board of Directors shall be authorized to require each member to enter into water users agreements which shall embody the principles set forth in the foregoing sections of this article.

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 Association for operation and otherwise and after setting aside reserves for depreciation on all buildings, equipment and office fixtures and such other reserves as the Board of Directors may deem proper and after providing for payments on interest and principal of obligations and amortized debts of the Association, 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 Association and for such other purposes as the Board of Directors may determine to be for the best interests of the Association. The said surplus fund or any portion thereof may from time to time, at the discretion of the Board of Directors, 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.

ARTICLE XIII Amendments

Section 1. These By-Laws may be repealed or amended by a vote of majority of the members present at any regular meeting of the Association, or at any special meeting of the Association called for that purpose, except that the members shall not have the power to change the purposes of the Association so as to decrease its rights 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 Association or its members, or to deprive any member of rights and privileges then existing, or so to amend the By-Laws as to effect a fundamental change in the policies of the Association. Notice of any amendment to be made at a special meeting of the members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered.