

HMC MANAGEMENT

Resolution Creating Herron Island Water Utility and Transferring Funds

WHEREAS, HMC Management is authorized under its Articles of Incorporation at Section 13, 2010 Amended Articles, to “appropriate, purchase, divert, acquire and store water from streams, water courses, wells or any other sources, and to distribute the water so appropriated and acquired to its members for use upon the lands of said members and for domestic purposes....”,

WHEREAS, the expenses of the water system owned and operated by HMC Management since its 1958 incorporation have been commingled with HMC’s general accounts, and

WHEREAS, the water distribution system has been in need of replacement and upgrade for many years and members approved a means of system replacement at the Special Meeting held March 19, 2011,

WHEREAS, a method needs to be established to capture and equitably distribute the total costs distributing water to members, including costs of system replacement and upgrade, maintenance and operation, reserves, and consumption,

And

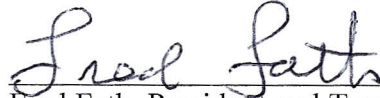
WHEREAS, creation of a water utility will provide the accepted method of accounting for all costs and revenues associated with water operations, including rate setting and debt service, and may achieve tax exempt status of the utility through its creation,

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF HMC MANAGEMENT, that

1. There is hereby created in the accounts of HMC Management the Herron Island Water Utility (“Utility”). The Utility shall also maintain separate bank and reserve accounts from those of HMC Management.
2. The HMC Board of Directors shall serve as the governing body of the Utility.
3. All costs and revenues associated with water system ownership and management shall be accounted for within the utility, as of the date water system project financing is accepted by the Board of Directors.
4. As of the financing approval date in 2, above, remaining unexpended water system budget shall be transferred to the Herron Island Water Utility, and balances adjusted to actual budget and expenditures as of that date.

5. In addition, \$5000 shall be transferred to the Water Utility bank accounts from the HMC Management bank account to provide cash float buffer.
6. A reserve investment account shall be established in the name of the Utility, and the water system reserve account balance transferred from the HMC Management accounts to the Utility investment account.

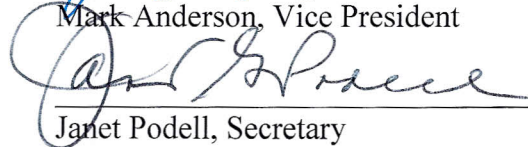
APPROVED this 9th day of APRIL, 2011, at Herron Island, Washington.



Fred Fath, President and Treasurer



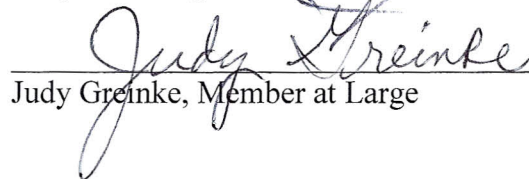
Mark Anderson, Vice President



Janet Podell, Secretary



Gary Wanzong, Assistant Treasurer



Judy Greinke, Member at Large