

**CRESCENT WATER ASSOCIATION
BYLAWS**

ARTICLE I
General Purposes

The purposes for which this corporation is formed, and the powers which it may exercise are set forth in the Articles of Incorporation of the Corporation.

ARTICLE II
Name and Location

Section 1. The name of this corporation is the CRESCENT WATER ASSOCIATION.

Section 2. The principal office of this corporation shall be located in the City (Village) of Joyce, County of Clallam, State of Washington, but the corporation may maintain offices and places of business at such other places within or without the state as the board of trustees may determine.

ARTICLE III
Seal

Section 1. The seal of the corporation shall have inscribed thereon the name of the corporation, the year of its organization and the words, "Non-stock Corporation, Washington."

Section 2. The secretary of the corporation 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 corporation shall begin the FIRST day of JANUARY in each year.

ARTICLE V
Membership

Section 1. The holders of membership certificates of this corporation are its members. There shall be four classes of membership: primary, secondary, primary property, and secondary property.

Section 1.1 Primary User Members. Any bona fide occupant of a farmstead or rural residence having a reasonable accessibility to the source of, and who is in need of having water supplied for domestic, livestock, and garden purposes from the water system constructed, maintained, and operated by the corporation, and who receives the approval of the board of

trustees may be admitted to membership as a primary user member upon subscribing for and otherwise acquiring a membership certificate and by signing such agreements for the purchase of water as may be provided and required by the corporation; provided that no person otherwise eligible shall be admitted to the corporation if the capacity of the corporation's water system is exhausted by the needs of its existing members, unless a proposed new member is purchasing a property presently served by the corporation. The membership fee shall be \$5,100.00, paid in full prior to issuance of a Certificate.

Section 1.2 Secondary User Members. Any person or entity having a reasonable accessibility to the source of, and who is in need of having water supplied for industrial and commercial purposes from the water system constructed, maintained, and operated by the corporation, and who receives the approval of the board of trustees may be admitted to membership as a secondary user member upon subscribing for and otherwise acquiring a membership certificate and by signing such agreements for the purchase of water as may be provided and required by the corporation; provided that no person otherwise eligible shall be admitted to the corporation if the capacity of the corporation's water system is exhausted by the needs of its existing members, unless a proposed new member is purchasing a property presently served by the corporation. The membership fee shall be \$7,650.00, paid in full prior to issuance of a Certificate. As used herein the terms industrial and commercial shall include non-governmental activities, including churches and fraternal organizations.

Section 1.3 Property Members. A property membership may be primary or secondary.

Section 1.3.1 Primary Property Membership. Any owner of a farmstead or rural residence having a reasonable accessibility to the source of, and who is in need of having water supplied for domestic, livestock, and garden purposes from the water system constructed, maintained, and operated by the corporation, and who receives the approval of the board of trustees may be admitted to membership as a primary property member upon subscribing for and otherwise acquiring a membership certificate and by signing such agreements for the purchase of water as may be provided and required by the corporation; provided that no person otherwise eligible shall be admitted to the corporation if the capacity of the corporation's water system is exhausted by the needs of its existing members, unless a proposed new member is purchasing a property presently served by the corporation. The membership fee shall be \$15,000.00, paid in full prior to issuance of a Certificate.

Section 1.3.2 Secondary Property Membership. Any person or entity owning real estate which is reasonably accessible to the source of, and who is in need of having water supplied for industrial and commercial purposes from the water system constructed, maintained, and operated by the corporation, and who receives the approval of the board of trustees may be admitted to membership as a secondary property member upon subscribing for and otherwise acquiring a membership certificate and by signing such agreements for the purchase of water as may be provided and required by the corporation; provided that no person otherwise eligible shall be admitted to the corporation if the capacity of the corporation's water system is exhausted by the needs of its existing members, unless a proposed new member is purchasing a property presently served by the corporation. The membership fee shall be \$20,000.00, paid in full prior

to issuance of a Certificate. As used herein the terms industrial and commercial shall include non-governmental activities, including churches and fraternal organizations.

1.3.3 Designated Property. The initial purchaser of a property membership shall designate a specific property to which the membership interest shall attach; shall provide the corporation with such proof as is required by the board to prove ownership of the property; shall designate the person who shall vote the membership; and shall pay all costs associated with recording the property membership with the county auditor if the member desires to do so. Ownership of the property membership shall run with the parcel of real estate designated by the initial membership purchaser and shall not be sold separate from the real estate, except that it may be redeemed by the corporation under the circumstances otherwise set forth herein. In the event subsequent owners fail to designate an individual responsible to vote the membership, the membership shall be voted by the fee simple owner of the real estate upon providing proof of same to the corporation as required by its board.

1.3.4 Conversion to Property Membership. A member may convert their user membership to a property membership upon application to and approval of the board of trustees; by signing such agreements for the purchase of water as may be prescribed by the board of trustees; by paying a fee equivalent to the difference between the amount originally paid for their membership and the current fee for the membership to which they are converting; and compliance with the provisions of Article V, Section 1.3.3.

Section 2. In the event of the death of a member, or if a member ceases to be eligible to hold membership or willfully fails to comply with these bylaws and other requirements of the corporation, or willfully obstructs the purposes and proper activities of the corporation, the corporation through the board of trustees may elect to purchase his membership certificate and terminate his membership upon tender to him or his heirs or legal representatives of the amount of the original purchase price paid to the corporation for his membership certificate, together with any distributive share of the surplus fund or a portion thereof due and unpaid less any indebtedness then due from him to the corporation. In the event a member becomes ineligible or attempts to transfer his interest in the corporation without any attempt to make the transfer of membership on the books of the corporation as provided herein, the corporation may treat the membership as terminated and cancel the membership certificate without any tender of the original purchase price paid to the corporation for said membership. 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 trustees 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 corporation shall not have capital stock. It shall be a member only company with membership represented by membership certificates.

Section 2. Membership certificates 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, No. _____, is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the articles of incorporation and bylaws and amendments to the same of the CRESCENT WATER ASSOCIATION.
- b. Transfers of membership certificates shall be made only upon the books of the corporation, only to persons eligible to become members, only with the approval of the board of trustees, and only when the member transferring is free from indebtedness to the corporation.
- c. Each membership in this corporation shall be entitled to one vote at meetings of the members. Every member, upon becoming a member of this corporation, agrees to sign such agreement for the purchase of water from the corporation as may from time to time be provided and required by the corporation and agrees, in the event he desires to dispose of his membership certificate without disposing of the real estate which is serviced by water from the corporation, to first offer the same to the corporation at the price originally paid for the membership and he will make no offer of assignment or sale of the same unless the corporation shall fail after thirty days' notice in writing so to purchase the membership certificate.

Section 3. All transfers of membership certificates, including property memberships, shall be made upon the books of the corporation, but only with the approval of the board of trustees and only to persons eligible to become members and only when the transferring member is free from indebtedness to the corporation.

ARTICLE VII **Meetings of Members**

Section 1. The annual meeting of the members of this corporation shall be held at the City (Village) of Joyce, County of Clallam, State of Washington, at eight o'clock p.m., on the second Tuesday in March of each year, if not a legal holiday or, if a legal holiday, on the next business day following.

Section 2. Special meetings of the members may be called at any time by the action of the board of trustees and such meetings must be called whenever a petition requesting such meeting is signed by at least ten percent of the members and presented to the secretary or to the board of trustees. 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 may be given by a notice mailed to each member of record, directed to the address shown upon the books of the corporation, at least ten days prior to the meeting. Such a 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 meeting of the members shall constitute a quorum at any meeting of the corporation for the transaction of business. The voting powers of the members of this corporation shall be equal. Each membership shall have one vote only, and no voting by proxy shall be allowed.

Section 5. Trustees of this corporation 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 trustees
6. Unfinished business
7. New business
8. Adjournment

ARTICLE VIII **Trustees and Officers**

Section 1. The board of trustees of this corporation shall consist of five members, all of whom shall be members of the corporation. The trustees named in the articles of incorporation shall serve until the first annual meeting of the members and until their successors are elected and have qualified. At the first annual meeting of the members, one trustee shall be elected for a term of one year; two trustees for a term of two years; and two trustees for a term of three years. At each annual meeting thereafter, the members shall elect for a term of three years the number of trustees whose terms of office have expired.

Section 2. The board of trustees shall meet within forty-five days after the first election and within forty-five days after the annual election of trustees and shall elect by ballot 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 3. If the office of any trustee becomes vacant by reason of death, resignation, retirement, disqualification or otherwise, except by removal from office, a majority of the remaining trustees, 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 trustee 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 trustees shall constitute a quorum at any meeting of the board.

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

Section 6. Officers and trustees may be removed from office in the following manner: Any member, officer, or trustee may present charges against a trustee 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 the members. The trustee or officer against whom such charges have been presented shall be informed, in writing, of such charges five 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 trustee is approved, such action shall also vacate any other office held by the removed trustee in the association. 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. A vacancy in any office thus created, shall be filled by the trustees from among their number so constituted after the vacancy in the board has been filled.

ARTICLE IX **Duties of Trustee**

Section 1. The board of trustees, subject to restrictions of law, the articles of incorporation, or 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 trustees shall have, and are hereby given, full power and authority in respect to the matters and 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 corporation or remove such agents or employees of the corporation for just cause, prescribe such duties and designate such powers as may not be inconsistent with these bylaws, 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 corporation 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 corporation by a competent public auditor or accountant. The report prepared by such auditor or accountant shall be submitted to the members of the corporation at their annual meeting.
- f. To fix the charges to be paid by each member for services rendered by the corporation 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 corporation to give adequate bonds, the cost thereof to be paid by the corporation, and it shall be mandatory upon the trustees to so require.
- h. 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 form thereof at will.
- i. To levy assessments against the membership certificates of the corporation and to enforce the collection of such assessments by all lawful means.

ARTICLE X **Duties of Officers**

Section 1. Duties of President. The president shall preside over all meetings of the corporation and the board of trustees, call special meetings of the board of trustees, 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 trustees, provided the board of trustees 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 trustees.

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 the event of death, resignation or disability of the president, the board of trustees 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 corporation and of the board of trustees and shall have general charge and supervision of the books and records of the corporation. He shall sign all membership certificates with the president and such other papers pertaining to the corporation as he may be authorized or directed to do so by the board of trustees. He shall serve all notices

required by law and by these bylaws 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 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 corporation 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 corporation or the board of trustees. Upon the election of his successor, the secretary-treasurer shall turn over to him all books and other property belonging to the corporation that he may have in his possession. He shall also perform such duties with respect to the finances of the corporation as may be prescribed by the board of trustees.

ARTICLE XI **Benefits and Duties of Members**

Section 1. The corporation will 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 corporation and to be installed on some portion of the service line owned by the corporation. The corporation shall have the sole and exclusive right to use such cut-off valve to turn it on and off.

Section 2. Each service line shall be equipped with a pressure reducer and check valve on member's side of meter, installed and maintained at member's expense; Crescent Water Association will not be liable for failure to install and maintain this equipment.

Section 3. Each member shall be entitled to purchase from the corporation, pursuant to such agreements as may from time to time be provided and required by the corporation, such water as a member may desire to supply the needs of the serviced property, subject, however, to the provisions of these bylaws and such rules and regulations as may be prescribed by the board of trustees and consistent with the applicable class of membership. Such water shall be delivered to him through a single basic service line.

Section 4. No new service line or change in an existing service line may be made which will interfere with an existing line or the delivery of water therein. Each service line shall connect with the corporation's water system at the nearest available place to the place of desired use by the member if the corporation'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 corporation'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 corporation. Each member will be required to dig or have dug a ditch for the connection of the service line or lines from the corporation's system to his dwelling or other portion of his premises where the water will be used and will also be required to purchase and install the portion of the service line or lines to the place where the water is to be used 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 corporation may, if the board of

trustees so determines, 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 member.

Section 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 shortage of water, the corporation may prorate the water available among the various members on such basis as is deemed equitable by the board of trustees, and may also prescribe a schedule of hours covering the use of water and require adherence thereto, provided that if at any time the total water supply shall be insufficient to meet all of the needs of the members for domestic, livestock, garden, industrial, and commercial purposes, the corporation must first satisfy all of the needs of the members for both domestic and livestock purposes before supplying water for garden, industrial, or commercial purposes.

Section 6. The board of trustees shall, prior to the beginning of each calendar year, determine the assessments for debt repayment to the Farmers Home Administration applicable on a pro-rata basis to each member for the following calendar year, the flat minimum monthly rate to be charged each user 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 dates for the payment of such charges, and shall notify each member of the amount of the payment 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 corporation at or prior to the dates fixed by the board of trustees.

Section 7. The failure to pay water charges duly imposed shall result in the automatic imposition of the following penalties:

- a. **Account balances thirty days past due.** A late charge will be assessed as established from time to time by the board of trustees.
- b. **Account balances sixty days past due.** A written notice shall be mailed to the member advising him that his service will be disconnected if all charges and assessments are not paid in full within thirty (30) days of the date of the notice and also advising him that his membership may be terminated if it is a non-property membership.
- c. **Account balances ninety days past due.** Unless paid in full, water service shall be disconnected to the delinquent member; a \$50.00 disconnect fee shall be assessed against the membership and membership in this corporation may, at the option of the board of trustees, be terminated and the membership certificate purchased as provided for in Article V, Section 2, of these Bylaws; provided, however, that a property membership shall not be terminated, but water shall be disconnected; a \$50.00 disconnect fee shall be assessed against the property membership; and a lien may be filed against the property for the amount due, plus costs and fees, including a reconnect fee.

- d. The monthly assessment will continue to accumulate during any period when water service is disconnected and prior to termination of the membership.
- e. The maximum allowable interest will be charged on all balances due.

Section 7. The board of trustees 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.

ARTICLE XII
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 corporation 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 trustees may deem proper, and after providing for payments on interest and principal of obligations and amortized debts of the corporation, 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 corporation, and for such other purposes as the board of trustees may determine to be for the best interests of the corporation. The said surplus fund or any portion thereof may, from time to time, at the discretion of the board of trustees, be distributed to the members as provided in the bylaws on the basis of the assessments and charges made and levied against and paid by such members during the year.

Section 2. Any part or the whole of such apportionment may be credited, at the discretion of the board of trustees, to the indebtedness of the members, should any exist, and in such case the members shall be notified in writing of the amount so applied.

ARTICLE XIII
Amendments

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

BYLAWS as amended March 10, 2014.

/s/Burt Cannon
Burt Cannon, Secretary