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BYLAWS

ARTICLE I General Purpose

The purpose for which this Association is formed and the powers which it may exercise are all as set forth in the Articles of Incorporation of this Association and by these Bylaws, dated the 10th day of June, 1986, and revised the 13th day of January, 2003.

ARTICLE II Name and Location

Section 1 The name of the Association is Knappa Water Association, a cooperative.

Section 2 The principal office of this Association will be located in Knappa, County of Clatsop, State of Oregon.

ARTICLE III Seal

Section 1 The seal of the Association will have inscribed thereon the name of the Association, the year of its organization and the words, "Non-stock Association, Oregon."

Section 2 The secretary of the Association will 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.

ARTICLE IV Fiscal Year

The fiscal year of the Association will begin the first day of January, in each year.

ARTICLE V
Membership

Section 1 The holders of membership certificates in this Association will be its members. Applications for membership in this Association will be in writing on a form provided by this Association. Membership in this Association will be limited to the following:

- A. A fee-simple owner of real property situated within the geographic limits of the Association.
- B. A contract purchaser of real property situated within the geographic limits of the Association.
- C. A public or non-profit entity having reasonable access to the Association, but not located within the geographic boundaries of the Association, but which entity can demonstrate a need to the satisfaction of the Association.

Section 2 Eligibility for membership will be at the sole discretion of the Association, acting through its Board of Directors, taking into consideration the capacity of the water system and any other factor it deems, in good faith, to impact upon the system. Individuals with current memberships who fail to meet the criteria for membership, as set forth in Section 1 above, will be considered as “grand fathered” into the system. An application for membership will be made for each tract of land, and each tract will be separately metered.

Section 3 Membership in the Association will be considered as appurtenant to the real property which is owned by the member. Upon sale or transfer of all, or a portion, of the tract of land to which the membership relates, such conveyance by deed or contract will constitute a transfer of the owner’s membership as it relates to the tract of land. [Rev. 2003]

Section 4 Loss of membership may occur based upon one of the following circumstances, to wit:

- A. A member ceases to be eligible for membership as provided for in these Bylaws.
- B. Willfully fails to comply with these Bylaws. In the event of the above, the Board of Directors may elect to purchase such membership certificate at the fair book value of such certificate as determined by the Board of Directors, together with any dividends due and unpaid, less any indebtedness then due from the member to the Association.

ARTICLE VI
Membership Certificates

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

Section 2 The membership certificates will be issued to each holder of fully-paid membership and will be numbered consecutively in accordance with the order of issue. Each

membership certificate will bear on its face the following statements:

“This membership certificate is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the Articles of Incorporation and Bylaws and amendments thereto, of the Knappa Water Association.

Transfers of membership certificates will 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 of indebtedness to the Association.

A member of the Association, regardless of the number of memberships that such member may have in the Association, will be entitled to only one vote. Voting will occur in meetings attended by the member, in person, and no voting will take place by proxy.”

ARTICLE VII Meetings and Members

Section 1 The annual meeting of the members of this Association will be held in the month of January of each year, and not more than 30 days after the close of the fiscal year. The date, time, and place of such meeting will be set by the Board of Directors.

Section 2 Special meetings of the members of the Association may be called at any time by the secretary, upon the request of the Board of Directors, or upon the filing with the secretary of a petition which has been signed by at least ten percent (10%) of the members of the Association. The purpose of every special meeting will be stated in the notice thereof, and no business will be transacted except such as is specified in the notice.

Section 3 Written notice of meetings of members of the Association will be mailed to each member of record, directed to the address shown upon the books of the Association, and postmarked at least ten (10) days prior the meeting. No failure or irregularity of notice of any annual meeting will affect any proceedings of such meeting.

Section 4 Four directors present at any Association meeting will constitute a quorum of such Board to transact business. The voting powers of the directors of this Association will be equal, each director will have one vote, and no voting by proxy will be allowed.

Section 5 Directors of this Association will 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, will be as follows:

- A. Call to order
- B. Proof of Notice of meeting
- C. Reading and action on any unapproved minutes
- D. Reports of officers and committees

- E. Election of directors
- F. Unfinished business
- G. New business
- H. Adjournment

ARTICLE VIII
Directors and Officers

Section 1 The Board of Directors of the Association will consist of seven (7) members, all of whom will be members or representatives of a corporation(s) who are members of this Association. Each director is elected for a two-year term. Three directors will be elected in even-numbers years, and four directors will be elected in odd-numbered years.

Section 2 The Board of Directors will meet within ten days after the annual election of directors. They will elect, by ballot, a president and vice president from among themselves, each of whom will hold office until the next annual meeting and the election and qualifications of their successors, unless sooner removed by death, resignation, or for cause.

Section 3 Should the office of any director become vacant by reason of death, resignation, retirement, termination of membership in the Association, removal from office, disqualification, or otherwise, a majority of the then remaining directors, though less than a quorum, will, by majority vote, choose a successor who will hold office for the unexpired term of the director whose place will be filled.

Section 4 Directors will receive no compensation for their performance of duties.

Section 5 Charges against officers and directors.

A. Any member bringing charges against an officer or director will file the charges, in writing, with the secretary of the Association. The secretary will immediately notify the officer or director of the charges filed against him/her. The officer or director may then file with the secretary a statement concisely giving his/her defense against the charges made. The Board of Directors will take the matter up at its next regular meeting, and take such action as it deems to be for the good of the Association.

B. If the charges were accompanied by a petition requesting the removal of a director, signed by ten percent (10%) of the members of the Association, and are filed with the secretary at least 14 (fourteen) days prior to any general or special meeting, the secretary will prepare and mail to each member a notice calling for a vote on the removal of the director. The secretary will include in the notice a statement giving the charges against the director and, at the request of the accused director, will also include with the notice to each member a copy of the written defense, as filed. This notice will be postmarked at least ten (10) days prior to the meeting.

ARTICLE IX
Duties of Directors

The Board of Directors, subject to the restrictions of the law, the Articles of Incorporation of the Association, and these Bylaws, will conduct all business of the Association.

ARTICLE X
Duties of the Officers

Section 1 Duties of the President. The president will preside over all of the meetings of the Association and of the Board of Directors, will call special meetings of the Board of Directors, will 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/she may be authorized or directed to sign by the Board of Directors; provided, however, 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 will 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 will perform the duties of the president; provided, however, that in the case of death, resignation, or disability of the president, the Board of Directors may declare the office vacant and elect his/her successor.

Section 3 Duties of the Secretary/Treasurer. The secretary/treasurer will keep a complete record of all meetings of the Association and of the Board of Directors and will have the general charge and supervision of the books and records of the Association. The secretary/treasurer will sign all membership certificates with the president, and such other papers pertaining to the Association as the secretary/treasurer may be authorized or directed to do by the Board of Directors. The secretary/treasurer will serve all notices required by law and by these Bylaws, and will make a full report of all matters and business pertaining to his/her office to the members at the annual meeting. The secretary/treasurer will keep the corporate seal and the membership certificate records of the Association, and dates of issuance, surrender, cancellation, or forfeiture. The secretary/treasurer will make all reports required by law and will perform such other duties as may be required of the secretary/treasurer by the Association or the Board of Directors. Upon the hiring of his/her successor, the secretary/treasurer will turn over to his/her successor all books and other property belonging to the Association that he/she may have in his/her possession. The secretary/treasurer will 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 the Members

Section 1 The Association will install, maintain, and operate a main distribution pipeline from the source of the water supply and service lines from the main distribution pipeline to the property line of each member of the Association. This point will be designated as the delivery point. If a request for water service is made by a property owner whose property is not within sixty feet of an existing distribution pipeline, and an extension of the distribution pipeline is required, such extension will be accomplished by the Association at the expense of the requesting member. Meters will be purchased, installed, owned, and maintained by the Association. The installation of the service line from the main distribution pipeline of the member will be accomplished by the Association after the requesting member has (1) purchased a membership in the Association, and (2) paid the then-applicable hookup fee. The Association will also purchase and install in each service line a cut-off valve from its main distribution line. The cut-off valve will be owned and maintained by the Association and will be installed on some portion of the service line owned by the Association. The Association will have sole and exclusive right to use such cut-off valve and to turn it on and off.

Section 2 Prior to the beginning of each calendar year, the Board of Directors will determine the flat minimum monthly rate to be charged each member during the following calendar year for a specified quantity of water, which flat minimum monthly rate will be payable, irrespective of whether any water is used by a member during any month. The Board of Directors will, further, prior to the beginning of each calendar year, determine the amount of additional charges, if any, for additional water which may be supplied the members, will fix the date of payment of all such charges and the dates for the payment thereof. A member to be entitled to the delivery of water will pay such charges at the office of the Association at or prior to the date(s) fixed by the Board of Directors. The failure to pay water charges duly imposed will result in the automatic imposition of the following penalties:

A. **Non-payment for 30 days after due.** The water will be cut off from the delinquent member's property.

B. **Non-payment for 60 days after due.** Membership in the Association will be terminated and the Association will acquire the membership certificate at its fair book value, together with any dividends, less any indebtedness then due from such member to the Association.

Section 3 Upon payment of the membership fee and hookup charge, each member will be entitled to not more than one service line from the Association's water system. No new service line or change in an existing service line may be made which will interfere with an existing service line or with the delivery of water therein. Each service line will 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 will be of sufficient capacity to permit delivery of water through a service line at that place without interfering with the delivery of water through a prior service line. The length of the service connection will not exceed 60 linear feet, or to the customer's property line, whichever is less. When the service line is not on a public right of way,

an easement will be required. The Board of Directors will consider special installation requests.

Section 4 Each member will be entitled to purchase from the Association, pursuant to such agreements made from time to time and required by the Association, such water as a member may desire, subject, however, to the provisions of these Bylaws and to such rules and regulations as may be prescribed by the Board of Directors. Separate service lines will be required for each dwelling, store, each unit in a multiple-unit complex or building, each pad in a mobile home or trailer court, for each separate business or tenant within a shopping mall or other multi-business establishment. The water delivered through each service line will be metered and the charges for such water will be determined separately, irrespective of the number of service lines owned by a member. Owners of rental units will be billed for charges of rental units.

Section 5 In the event the total water supply will be insufficient to meet all the needs of the members or in the event there is a shortage of water, the Association may pro-rate the water available among the various members on such a basis as is deemed equitable by the Board of Directors, and may also prescribe a schedule of hours covering the 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 will be sufficient to meet all of the needs of all the members for other purposes.

Section 6 Each individual member is responsible for his own plumbing systems to be protected from frost, damage from flooding, and any other normal hazards. Each member is responsible for installing a hose bib back flow cross-connection device.

Section 7 The Board of Directors will be authorized to require each member to enter water user agreements which will embody the principals set forth in the foregoing Sections of this Article.

ARTICLE XII **Attorney's Fees**

It would be anticipated that, from time to time, legal counsel may be employed by the Association to assist it in bringing action against individual members to compel their performance of membership obligations pursuant to the Article of Incorporation and these Bylaws. If legal counsel is employed by this Association to bring an action against an individual member, that member will be responsible for and will pay the attorney's fees and collection costs of the Association; and, if suit or action is filed, that member will be responsible to pay (1) the Association's reasonable attorney's fees to be fixed by the trial court and (2) if any appeal is taken from any decision of the trial court, such further sum as may be fixed by the appellate court, and the Association's reasonable attorney's fees in the appellate court.

ARTICLE XIII
Distribution of Surplus Funds

It is not anticipated that there will be any net income. At the end of the fiscal year, after paying the expenses of the Association for operation and otherwise setting aside reserves for the depreciation on all buildings, equipment and office fixtures, establishing such other reserves as the Board of Directors may deem proper, 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, any net earnings will be accumulated in a surplus 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 in the best interests of the Association. Such 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 these Bylaws, on the basis of the assessments and charges made and levied against and paid by such members during the year.

ARTICLE XIV
Amendments

These Bylaws may be repealed or amended by a vote of the majority of the members present at the annual membership meeting of the Association, or at any special meeting of the Association called for that purpose, except that the members will 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 requirements of bond or other provisions 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 amend the Bylaws 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 10 (ten) days before such meeting and must set forth the amendments considered.