

BYLAWS OF PONDEROSA PINES

WATER COMPANY

ARTICLE I. NAME

The name of this corporation is Ponderosa Pines Water Company ("Corporation"), and its duration shall be perpetual.

ARTICLE II. PURPOSE

Corporation is organized for the purpose of owning and operating a mutual domestic water distribution system and providing water to Ponderosa Pines, a duly recorded subdivision in Deschutes County, Oregon.

ARTICLE III. PRINCIPAL OFFICE

The principal office of Corporation shall be located at 53275 Ponderosa Way, LaPine, Oregon, in Deschutes County, or at such other place as may be fixed from time to time by Corporation's board of directors.

ARTICLE IV. MEMBERSHIP AND VOTING RIGHTS

Section 1. Eligibility. All owners of Units as defined in the Ponderosa Pines Master Design and other users of water supplied by Corporation within Ponderosa Pines shall be members of Corporation.

Section 2. Appurtenance. Membership shall be appurtenant to (and may not be separated from) ownership of a Unit in Ponderosa Pines or, in the case of other users, shall be appurtenant to their operation within Ponderosa Pines.

Section 3. Voting Rights. Each Unit owner shall have one vote per Unit owned in Ponderosa Pines. Owners who own a

Unit jointly (whether as tenants in common, joint tenants or tenants by the entirety) shall have a single vote for each Unit. Each member other than a Unit owner shall have one vote.

ARTICLE V. MEETINGS OF MEMBERS

Section 1. Annual Meeting. The annual meeting of the members of Corporation shall be held at the same time and place and immediately following the annual meeting of the Ponderosa Pines Property Owners' Association.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the board of directors. In the event a written petition for a special meeting is signed by members entitled to one-fourth of the votes of the membership, the president must call such meeting.

Section 3. Notice. Notice of all meetings of members shall be mailed to each member, postage prepaid, at the address as shall appear in the records of Corporation. Such notice shall be mailed not less than 7 days nor more than 50 days prior to the date of such meeting. The notice of a meeting shall specify the place, date and hour of the meeting and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. Those members present at any annual or special meeting of members shall constitute a quorum for any action of the members. The vote of a majority of the votes entitled to be cast by the members present or represented by proxy at any annual or special meeting of members at which a quorum is present shall be necessary for the adoption of any

matter voted upon by the members, unless a greater proportion is required by ORS Chapter 61.

Section 5. Proxies. A member may vote at any meeting in person or by proxy executed in writing and filed with the secretary of Corporation. Each such proxy shall be revocable and shall automatically terminate upon such member's termination as a member in Corporation.

ARTICLE VI. BOARD OF DIRECTORS

Section 1. General. The business and the property of Corporation shall be managed and controlled by a board of directors. Such board shall have the power and authority to: (a) make rules and regulations not inconsistent with the laws of the state of Oregon, Corporation's articles of incorporation, these bylaws, or Section 501(c)(12) of the Internal Revenue Code; (b) call meetings of the membership when deemed advisable; and (c) generally exercise all powers necessary for the transaction of Corporation's business.

Section 2. Number and Eligibility. The board of directors shall consist of seven persons. Directors must be members of Corporation.

Section 3. Election and Term. Directors shall be elected by the members for terms of three years and shall serve staggered terms, with the positions elected at the following annual meetings of members:

<u>Year</u>	<u>Positions</u>
1982	1,2
1983	3,4,5
1984	6,7

Thereafter, at the expiration of the term of each group of directors, the same number shall be elected for the next three-year term.

Section 4. Manner of Election. Prospective directors shall run for a specific position. Directors may be nominated from the floor at the annual meeting or by a nominating committee appointed by the chairman of the board of directors, which may send a list of its nominees to the members prior to the meeting. Cumulative voting is not permitted. The person receiving the most votes for each position shall be elected.

It is recognized that the persons who are members of Corporation are substantially the same as the persons who are members of the Ponderosa Pines Property Owners' Association and that it is in the interests of both Corporation and the Ponderosa Pines Property Owners' Association and their members that the same individuals serve at the same time as members of both boards of directors. Accordingly, Corporation and the Ponderosa Pines Property Owners' Association may conduct joint board nominations and elections; provided, however, that no person who is not a member of Corporation may vote to elect directors for this Corporation.

Section 5. Vacancies. Any vacancy in the board of directors shall be filled, for the full remaining term, by a vote of the remaining directors.

Section 6. Removal of Directors. Any director or directors may be removed from office before expiration of his or her term, with or without cause, by majority vote of the members, whether voting by proxy or in person, at an annual or special meeting of the members.

Section 7. Compensation. No director shall receive compensation for any service he or she may render to Corporation as a director. However, any director may be reimbursed for his or her actual expenses incurred in the performance of duties for Corporation and may receive compensation for services to Corporation in a capacity other than that of director.

VII. MEETINGS OF DIRECTORS

Section 1. Regular Meeting. A regular meeting of the board of directors of Corporation shall be held annually, without notice other than this bylaw, on the same date as and immediately following the annual meeting of members of Corporation.

Section 2. Special Meetings. Special meetings of the board of directors may be called by the president of Corporation or by any three directors after not less than two days' notice to each director. Attendance at a special meeting shall constitute a waiver of notice thereof.

Section 3. Notice. Notice of any special meeting of directors shall be deemed sufficient if deposited in the United States mail, addressed to the last known mailing address of the director, no later than two days before the date of such meeting.

Section 4. Quorum. A majority of the members of the board of directors shall constitute a quorum for the transaction of any and all business of Corporation. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board.

Section 5. Action Without a Meeting. Any action required to be taken, or which may be taken, at a meeting of the board of directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the directors.

ARTICLE VIII. OFFICERS

Section 1. Enumeration and Eligibility. The officers of Corporation shall be a president, a secretary and a treasurer. All officers shall be chosen from Corporation's board of directors.

Section 2. Election. The election of officers shall take place at the annual meeting of the board of directors following each annual meeting of the members of Corporation. Such officers shall take office immediately upon election.

Section 3. Term of Office. Officers shall be elected by the board of directors and shall hold office for a term of one year.

ARTICLE IX. OPERATION AND ASSESSMENTS

Section 1. Members of Corporation shall have the right to receive water services from Corporation at rates substantially equal to Corporation's cost for such service. Corporation will accumulate or retain funds only to the extent necessary to meet its current losses and operating expenses and other reasonable needs such as, but not limited to, retiring indebtedness; maintaining, improving and expanding its water distribution system; or maintaining reserves for necessary purposes.

Section 2. Refunds. Any excess income of Corporation, not retained in reasonable reserves for future losses and expenses, belongs to Corporation's members and shall be accounted for in the names of users of Corporation's services in proportion to their business done with Corporation. In the event Corporation's board of directors determines that Corporation has funds in excess of such reasonable needs, Corporation's members shall have the right to receive a refund of such excess funds in amounts to be determined by the board of directors, in proportion to their business done with Corporation.

Section 3. Method of Assessment. Corporation's board of directors or its officers may assess reasonable charges for

providing water and water-related services to members. Members shall pay assessments on a monthly basis or otherwise as may be fixed from time to time by the board of directors.

Section 4. Lien. Whenever any charges ascribed as assessments under the foregoing Section 3 of this article are not paid within 30 days after mailing of notice of the same, such charge shall become a lien against the Unit or Units (or the premises within Ponderosa Pines leased or otherwise used by any other member) of the member failing to make such payments and Corporation may file a notice of lien in Deschutes County, Oregon. From the date such charge becomes a lien, it shall commence to bear interest at a rate to be determined by the board of directors until paid in full. When any such charge or assessment becomes a lien and then continues unpaid for a period of four months, the board may give notice of intent to foreclose by mailing notice to the delinquent member. If the lien is not paid within ten days following such notice, the board may foreclose such lien in the manner provided by law for foreclosures of mortgages. The expense of such foreclosures and collection, included but not limited to reasonable attorneys' fees and costs shall be added to the assessment. As an additional remedy and not as an alternative, the board may disconnect water services under its control from the premises, subject to foreclosure after giving ten days' written notice to the owner of the intent to disconnect, if the delinquency is not paid.

ARTICLE X. RECORDS

Corporation shall keep such records as its board of directors determines are necessary to determine at any time each member's rights and interest in the assets of Corporation, based on the proportion of each member's business done with Corporation.

ARTICLE XI. TERMINATION OF MEMBERSHIP

As membership is appurtenant to the Units and to users' operations within Ponderosa Pines, such membership will terminate at any time a member sells his or her Unit or a user terminates its operations within Ponderosa Pines. However, a former member's right and interest in Corporation's assets will not be forfeited upon withdrawal or termination of membership.

ARTICLE XII. DISSOLUTION

Upon dissolution, Corporation's assets, after payment of all debts and obligations, will be distributed to all members and former members in proportion to their business done with Corporation, insofar as is practical. Amounts to be distributed to former members shall be mailed to such former member's last known address as shown on the records of Corporation. Any such amounts to be distributed to former members which are unclaimed after 180 days following the date of such mailing shall be redistributed to those persons who were members of Corporation as of the date of such distribution.

ARTICLE XIII. FISCAL YEAR

The fiscal year of Corporation shall be the calendar year.

ARTICLE XIV. AMENDMENT

These bylaws or any portion of them may be amended by a two-thirds vote of the board of directors of Corporation.