

BYLAWS  
OF  
CLEAR CREEK PINES UNIT TWO  
WATER WELL USERS ASSOCIATION, INC.,  
AN ARIZONA NONPROFIT CORPORATION

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Section 1.        Organization

1.1 Name. The name of the corporation is CLEAR CREEK PINES WATER WELL USERS ASSOCIATION, INC.

1.2 Principal Office. The principal office of the corporation shall be 2301 North 16th Street, Phoenix, Arizona 85006, and additional offices may be maintained at such other places within the State of Arizona as the board of directors may from time to time designate.

1.3 Fiscal Year. The fiscal year of the corporation shall be a calendar year.

1.4 Purpose and Initial Business.

(a) These bylaws are formed and adopted by the corporation to govern and facilitate its business as a provider of water for domestic uses for the sole and exclusive use of the members of the corporation, under chapter 5 of title 10 of the Arizona Revised Statutes, and as a tax-exempt organization under sections 501(a) and 501(c)(12) of the Internal Revenue Code of 1954 (or the corresponding provisions of any future law) and section 43-1201.15 of the Arizona Revised Statutes (or the corresponding provisions of any future law).

(b) The character of the business and affairs that this corporation initially intends to conduct in the State of Arizona is:

1. To construct, operate and maintain water wells, including without limitation that certain well situated on the southeastern corner of Lot 45, CLEAR CREEK PINES UNIT TWO, according to the plat of record recorded in Case 1, Map 126, records of Coconino County, Arizona, to construct, operate, and maintain pumps, storage facilities and other facilities and equipment related to the

production, storage and distribution of water, to construct, operate and maintain a water distribution system in order to carry and deliver water produced or acquired by the corporation to the lots of the members within the CLEAR CREEK PINES UNIT TWO subdivision, and to acquire water rights by purchase or appropriation as reasonably necessary to provide water and to acquire and hold real estate, or interests therein, to the extent reasonably necessary for the conduct of the corporation's business and affairs, all for the sole and exclusive use and benefit of the members of the corporation.

2. To do and perform such acts as may be necessary or appropriate in carrying out the foregoing purposes of the corporation and, in connection therewith, to exercise any of the powers granted to nonprofit corporations by the laws of the State of Arizona consistent with the corporation's status as a corporation which is exempt from federal income tax under sections 501(a) and 501(c)(12) of the Internal Revenue Code of 1954 (or the corresponding provisions of any future law) and state income tax under section 43-1201.15 of the Arizona Revised Statutes (or the corresponding provisions of any future law).

#### 1.5 Required and Prohibited Activities.

(a) The corporation shall be operated as a nonprofit corporation for the sole and exclusive use and benefit of its members. The corporation shall not be operated as a common carrier of water or as a public service corporation, as defined in Article XV, Section 2 of the Arizona Constitution. The corporation shall not carry or deliver water to non-members or the public generally, nor shall the corporation sell or offer for sale water or other services.

(b) This corporation shall not carry on any other activities not permitted to be carried on by a corporation which is exempt from federal income tax under sections 501(a) and 501(c)(12) of the Internal Revenue Code of 1954 (or the corresponding provisions of any future law) and state income tax under section 43-1201.15 of the Arizona Revised Statutes (or the corresponding provisions of any future law).

(c) Income of the corporation shall be used solely to cover losses and expenses, with any excess being

returned to members or retained for future losses and expenses, in the discretion of the board of directors. At least 85 percent of the income of the corporation shall be collected from members for the sole purpose of meeting losses and expenses.

## Section 2. Meetings of Members

2.1 Annual Meeting. A meeting of the members shall be held annually at such place as the board of directors shall designate, either within the State of Arizona, during the month of February of each year, for the purpose of electing directors and for the transaction of any other business which may properly come before it.

2.2 Notice. Unless properly waived, notice of any meeting shall be mailed at the last known address of each member as the same appears in the records of the corporation, at least 10 days and not more than 50 days prior to such meeting, and shall state in general the purposes for which it is called. Notice to members shall not be necessary for any adjourned annual or special meeting except the statement at such meeting in making adjournment.

2.3 Presiding Officer. The president, or in his absence a chairman appointed by the members present, shall call meetings of the shareholders to order and shall act as chairman.

2.4 Quorum. The attendance of members holding a majority of the memberships then issued by the corporation, either in person or by proxy, shall constitute a quorum at all meetings of shareholders.

2.5 Adjournment. If at any annual or special meeting of shareholders a quorum shall fail to attend in person or by proxy, members holding a majority of the memberships attending in person or by proxy at the time of the meeting may, at the end of one hour, adjourn the meeting from time to time without further notice until a quorum shall attend, and thereupon any business may be transacted which might have been transacted at the meeting as originally called had the same been held.

2.6 Special Meetings. Special meetings of the members for any purpose shall be held whenever called by a vote of the members. Notice thereof shall be given as provided in Section 2.2.

2.7 Voting. At all annual and special meetings of shareholders, every holder of a membership may appear and

vote either in person or by proxy in writing, and shall have one vote for each membership held and represented at such meeting. At each election for directors every member entitled to vote at such election shall have the right to vote, in person or by proxy, the number of memberships held by him for as many persons as there are directors to be elected and for whose election he had a right to vote, with the right to cumulate such votes. All proxies shall be filed with the secretary of the corporation prior to any meeting for which they are to be effective.

2.8 Order of Business and Rules of Procedure.

The order of business and the rules of procedure used at any meeting of the members shall be as determined by the chairman.

2.9 Closing of Transfer Books and Fixing Record

Date. For the purpose of determining members entitled to notice of or to vote at any meeting of members, or any adjournment thereof, or in order to make a determination of members for any other purpose, the board of directors of the corporation may provide that the membership books of the corporation be closed for a stated period not to exceed, in any case, 60 days. If the membership books shall be closed for the purpose of determining members entitled to notice of or to vote at a meeting of the shareholders, the books shall be closed at least 10 days immediately preceding the meeting. In lieu of closing the membership books, the board of directors may fix in advance a date as the record date for any such determination of members, such date, in any case, to be not more than 60 days nor less than 10 days prior to the date on which the particular action requiring this determination is taken. When a determination of shareholders has been made as provided in this section, the determination shall apply to any adjournment thereof.

2.10 Action Without a Meeting.

Any action required to be taken at a meeting of the members of the corporation, or any action that may be taken at a meeting of the members, including action on organizational matters by the initial 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 of the members entitled to vote with respect to the subject matter thereof. This consent shall have the same effect as a unanimous vote of members and may be stated as such in any document.

Section 3. Board of Directors

The management of the affairs of this corporation shall be vested in a board of directors. This board shall consist of five directors.

3.1 Qualification and Election. With the exception of the initial directors, board members shall be elected by the members during the annual meeting of the members as provided in Section 2.1. The members shall select directors based upon breadth of experience, appropriateness of skills, and the willingness and ability to participate effectively in fulfilling the board's responsibilities. Each director must be a member of the corporation.

3.2 Terms. With the exception of the initial directors, the term of each director shall be one year.

3.3 Annual Meeting. The annual meeting of the board of directors shall be held during the month of February of each year immediately following the annual meeting of the members as provided in Section 2.1. At such annual meeting, newly elected directors shall meet for the purpose of organization, the election of officers, and the transaction of other business.

3.4 Special Meetings. Special meetings of the board may be called by the president or by a majority of the members of the board. Unless otherwise specified in the notice thereof, any and all business may be transacted at a special meeting.

3.5 Notice of Meetings. No notice of the annual meeting of the board of directors need be given. Unless properly waived, notice of any special meeting of the board of directors, stating the time and in general terms the purpose or purposes thereof, shall be mailed to all of the directors at least 10 days prior to such meeting, to the last known address of each director as the same appears on the records of the corporation.

3.6 Place of Meeting. The directors shall hold their meetings within the State of Arizona as the board of directors from time to time may determine. Unless otherwise determined, such meetings shall be held at the principal office of the corporation. Meetings of the board of directors may be held by means of conference telephone or similar equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting.

3.7 Quorum. A majority of the board of directors shall constitute a quorum for the transaction of business. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors unless the act of a greater number is required by the Articles of Incorporation, these Bylaws, or by law. A meeting at which a quorum is initially present

may continue and transact business notwithstanding the withdrawal of directors provided that at least one-third of the directors then in office are present, and provided further, that any action is approved by at least a majority of the required quorum for such meeting, or such greater number as is required by the Articles of Incorporation, these Bylaws, or by law.

3.8 Chairman. At all meetings of the board of directors, the president, or in his absence a chairman chosen by the directors present, shall preside.

3.9 Compensation. The directors of the corporation and all members of committees shall serve without salary, unless ordered by the directors. However, they shall be paid the necessary expenses incurred in the execution of their duties.

3.10 Vacancies. In case of any vacancy among the directors through death, resignation, disqualification, or other cause, the other directors, by affirmative vote of a majority thereof, may fill any such vacancy.

3.11 Action Without Meeting. Any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action taken, shall be signed by all of the directors.

#### Section 4. Officers

4.1 Executives. The officers of the corporation shall be a president, a vice-president, a secretary, and a treasurer, and other officers as may from time to time be appointed, each of whom shall hold the office during the pleasure of the board of directors. Any two or more offices may be held by the same person except the office of president and secretary. The president shall be a member and the chairman of the board of directors.

4.2 Tenure of Office. All officers shall be elected for a term of one year and shall be subject to removal at any time, with or without cause, by an affirmative vote of a majority of the board.

4.3 President. The president shall be the executive officer of the corporation and shall preside at all meetings of the members and of the directors. He may, from time to time, call special meetings of the board of directors whenever he shall deem it proper to do so and shall do so when a majority of the board of directors shall request him in writing to do so. The president may sign and execute

all authorized contracts, other instruments, or obligations in the name of the corporation. The president may sign all authorized checks in the name of the corporation. Subject to the board of directors, he shall have general charge of the business and affairs of the corporation. The president shall do and perform such other duties and have such other powers as from time to time may be assigned to him by the board of directors.

4.4 Vice-President. The vice-president shall, in the event of the president's absence or inability to act, have all of the powers of the president. He shall perform such other duties as the board of directors shall delegate to him.

4.5 Secretary. The secretary shall keep the minutes of all proceedings of the board and the minutes of all meetings of members of the corporation. Such person shall attend to the giving and serving of all notices for the corporation when directed by the president. Such person may sign with the president, in the name of the corporation, all contracts authorized by the board, and shall have authority to affix the seal of the corporation thereto. Such person shall have charge of all such books and records as the board may direct. Such person shall, in general, perform all the duties incident to the office of the secretary, subject to the control of the board.

4.6 Treasurer. The treasurer shall have the custody of all the funds and securities of the corporation which may come into such individual's hands. Such individual may endorse on behalf of the corporation for collection, checks, notes and other obligations, and shall deposit the same to the credit of the corporation in such bank or banks or depositories as the board of directors may designate. Such individual may sign receipts and vouchers for payments made to the corporation. Such individual may sign checks made by the corporation and pay out and dispose of the same under the direction of the board. Such individual may sign, with the president, or such other person or persons as may be designated by the board, all authorized promissory notes and bills of exchange of the corporation; whenever required by the board, he shall render a statement of his cash accounts. Such individual shall enter regularly in books of the corporation, to be kept by him for that purpose, full and accurate accounts of all monies received and paid on account of the corporation. Such individual shall perform all duties incident to the position of treasurer subject to the control of the board. The powers and duties of the treasurer may be exercised and performed by any of the other officers, as the board may direct.

Section 5.        Membership

5.1 Membership in Corporation.        A membership shall entitle the holder thereof, who shall be a member, to a pro rata share of all waters produced and controlled by the corporation for his sole and exclusive use within the CLEAR CREEK PINES UNIT TWO subdivision, in accordance with these Bylaws, the Membership Agreement, and any rules and regulations adopted by the board of directors. Memberships shall be inseparately appurtenant to a specific lot within the subdivision. In the event a member is the owner of more than one lot within the subdivision, he may acquire an additional membership for each lot owned; each membership shall be subject to the terms and conditions set forth in the Articles of Incorporation, these Bylaws, and any rules and regulations adopted by the board of directors.

5.2 Initial Members.        There shall be fourteen initial members of the corporation, all of whom own lots within the CLEAR CREEK PINES UNIT TWO subdivision and who have contributed funds or property in order to drill and install the water well within the southeast corner of Lot 45 of the subdivision pursuant to that certain Agreement, dated April 5, 1984, a true and correct copy of which is attached hereto as Exhibit A. Each of the initial members, with the exception of Ralph Crownover, has contributed \$1,000.00 pursuant to said Agreement for the drilling of this well; the remainder of the funds contributed by the initial members shall be deposited in the account of the corporation, for use in the conduct of the corporation's business and affairs. Ralph Crownover, the record title holder of Lot 45 of the subdivision, has granted a perpetual easement in the southeastern corner of said lot for the drilling of the well and the construction, operation and maintenance of related equipment and facilities, pursuant to the instrument recorded in Docket 973, at pages 319 through 321, records of Coconino County, Arizona which the initial directors of the corporation have, by resolution, dated this 31st day of May, 1984, acknowledged and agreed has a fair market value of \$3,000.00, and Crownover, his successors and assigns in Lot 45, and such amount shall set off against the contribution of \$1,000.00 required of each initial member under said Agreement and the balance, \$2,000.00, shall be set off against assessments in the amount of \$2,000.00 subsequently levied by the corporation against the members; thereafter, Crownover, his successors and assigns, and the lot within the subdivision owned by Crownover shall be fully subject to assessments pursuant to the Articles of Incorporation and these Bylaws.



5.3 Additional Members. The corporation may admit as additional members such persons owning lots within the CLEAR CREEK PINES UNIT TWO subdivision upon such terms and conditions as may be imposed by the board of directors. The board of directors shall require that each additional member pay to the corporation as a membership fee an amount not less than the total contributions and assessments paid by an initial member, plus any additional amount which the board of directors deems appropriate in order to equitably apportion contributions and assessments among existing and new members; provided, however, that in no event shall the total number of memberships in the corporation, and, consequently, the number of lots within the subdivision to which water may be provided by the corporation, exceed thirty.

5.4 Assessments. Revenues necessary to accomplish the purposes of the corporation shall be raised by assessment, from time to time as may be required, upon and against the members, on a pro rata basis; members holding more than one membership shall be subject to assessment for each membership held. The board of directors shall have the power to make and enforce necessary rules and regulations for perfecting and enforcing the lien on the lots of the members, and for making, levying, collecting and enforcing all assessments, including, without limitation, withholding the delivery of water to delinquent members.

5.5 Transfer of Membership. Each membership shall be inseparately appurtenant to the member's lot within the CLEAR CREEK PINES UNIT TWO subdivision. The sale, assignment or any other transfer of the title to such lot, whether by grant or operation of law (except where such transfer involves the grant or creation of an easement, license, encumbrance, lien or interest given to secure an obligation) shall operate, whether expressed or not, as a transfer to the grantee or successor in title of the membership in this corporation. Upon such transfer, the member whose membership is thereby transferred, or his legal successors, shall be paid in full for the value of his membership, including the value of share of the surplus, capital or assets of the corporation existing on the date of the membership's transfer.

5.6 Membership Agreement. Membership shall be conditioned upon and subject to execution of a Membership Agreement in the form set forth in Exhibit B hereto, and payment of the membership fee, if required, to the corporation. Each member shall execute a Membership Agreement for each membership applied for. Such Membership Agreement shall become binding upon the corporation only when approved

and executed in the name of the corporation by its president and secretary and the corporate seal affixed thereto, and it shall thereupon become a binding contract between the corporation and the member. Upon execution, each Membership Agreement shall be recorded in the official records of Coconino County, Arizona.

Section 6. Corporate Seal

The board of directors shall provide a suitable corporate seal containing the name of this corporation, which seal shall be in charge of the secretary. If so directed by the board of directors, a duplicate seal may be kept and used by the treasurer. The seal shall not be required for any purpose in connection with corporate documents or acts.

Section 7. Indemnification

This corporation shall indemnify its members, directors, officers, employees, incorporators and agents to the fullest extent permitted by applicable state law.

Section 8. Records

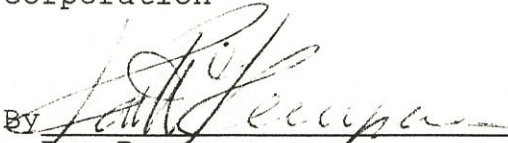
All minutes, records, receipts, or other data of the various boards, committees, or agencies of the corporation shall remain the permanent property of the corporation. There shall be two copies of all records kept. One copy shall be retained at the offices of the corporation and one copy retained by the presiding secretary or treasurer.

Section 9. Amendment and Repeal

These bylaws, except as otherwise provided herein, may be amended or repealed, or new bylaws may be adopted by the board of directors in such instance as the board may determine to be advisable. Unless properly waived, notice of any meeting at which any action concerning the bylaws is proposed shall be mailed to all directors and members at least 10 days prior to such meeting, and in the same manner prescribed for giving notice of special meetings of the board of directors. Such notice shall state in general terms the nature of any proposed action concerning the bylaws.

These bylaws are adopted as of the 31st day of  
May, 1984.

CLEAR CREEK PINES UNIT TWO  
WATER WELL USERS ASSOCIATION,  
INC., an Arizona nonprofit  
corporation

By   
Ron Perryman  
Its President

ATTESTED:

By \_\_\_\_\_  
Dick Peterson  
Its Secretary

CLEAR CREEK PINES UNIT TWO WATER WELL USERS ASSOCIATION, INC.  
AN ARIZONA NONPROFIT CORPORATION

BYLAW AMENDMENTS

1. MAXIMUM # OF MEMBERS - Reference Bylaws paragraph 5.3 of section 5.  
Amendment - Board of Directors Meeting Minutes 9/1/86.  
Maximum # of members/lots is at the discretion of the Board of Directors.  
  
Amendment - Board of Directors Meeting Minutes - 9/15.85.  
Maximum # of members/lots may not exceed 40.
2. NEW MEMBERSHIP PRICE - Reference Bylaws paragraph 5.3 of section 5.  
Amendment - 1988 Annual Membership Meeting  
Membership price is \$4000.  
  
Amendment - 1985 Annual Membership  
Meeting Membership price is \$3300.
3. ANNUAL MEMBERSHIP MEETING - Reference Bylaws paragraph 2.1 of section 2.  
Amendment - 1989 Annual Meeting  
Annual meeting will be during the Labor Day weekend at Clear Creek Pines Unit 2.  
  
Amendment - Board of Directors Meeting Minutes - 9/1/86.  
Annual meeting will be around the 4<sup>th</sup> of July Holiday at Clear Creek Pines Unit 2.
4. MEMBERSHIP APPROVAL - Reference Bylaws paragraph 5.3 of section 5.  
Amendment - Board of Directors - 9/1/86.  
A Board of Directors telephone vote to approve a new member is acceptable.
5. PRINCIPLE OFFICE - Reference Bylaws paragraph 1.2 of section 1.  
Amendment - Board of Directors Meeting 5/26/2018.  
The principal office of the corporation shall be 315 Ridge Road, Happy Jack, Arizona 86024.
6. BOARD OF DIRECTORS - Reference Bylaws section 3.  
Amendment - Board of Directors Meeting 5/26/2018.  
The number of directors shall be not less than three, nor more than eleven.

7. BOARD OF DIRECTORS ANNUAL MEETING - Reference Bylaws paragraph 3.3 of section 3.

Amendment - Board of Directors Meeting 5/26/2018. The annual meeting of the board of directors shall be held during the month of September on Labor Day weekend.

8. OFFICERS - Reference Bylaws section 4.

Amendment - Board of Directors Meeting 9/2/2017

- Added Operations and Maintenance Officers - Reference Bylaws new paragraph 4.7 of section 4.
- Added Water Quality Officer - Reference Bylaws new paragraph 4.8 of section 4.

9. OPERATION AND MAINTENANCE OFFICER - Reference Bylaws paragraph 4.7 of section 4.

Amendment - Board of Directors Meeting 5/26/2018

- Added position description.

4.7 Operation & Maintenance Officer. The role of the Operation & Maintenance Officer is to ensure the safe reliable and quality water system 24x7 operation in full compliance with laws and regulations of Arizona. The Officer shall schedule, coordinate and provide quality assurance for all maintenance activities required for the entire water system up to and including the individual property water delivery shut-off valve. The Officer shall promptly respond to water system trouble calls from property owners. The Officer shall report system outages to Board of Directors and Officers to facilitate communication with property owners. Resolve problems as they arise whether directly or through contractors to provide construction, repairs or perform periodic maintenance. To minimize water system operation outages, the Officer shall retain contractors with the knowledge and skills necessary to expedite repairs. When engaging contractors the scope of work, schedule and cost shall be approved by the Board of Directors. The Water Quality Officer and the contract ADEQ Certified Water System Operator (see the Water Quality Officer) shall review and approve maintenance activities (planned and unplanned) to assure compliance with ADEQ water quality standards. The Officer shall assure the following documentation is maintained and available to the Board of Directors and Officers.

1. System changes shall be documented and approved by the Board of Directors.
2. As built-system design documentation that includes an inventory of equipment for the water well, storage tanks, pressure system and distribution water lines and valves.

3. Maintenance records shall be logged and include preventative maintenance (completed and planned), system failures and repairs. Include documented evidence of approval by the contract ADEQ Certified Water Operator.
4. Provide budget estimates for sufficient funding reserve for planned and unplanned water system maintenance.
5. Maintain a list of available service contractors that are retained and/or experienced with water system construction, maintenance and repairs.
6. Other documents that support system operation and maintenance or assigned by the Board of Directors.

10. WATER QUALITY OFFICER - Reference Bylaws paragraph 4.8 of section 4.

Amendment - Board of Directors Meeting - 5/26/2018

- Added position description.

4.8 Water Quality Officer. The role of the Water Quality Officer is to oversee the work of the contract ADEQ Certified Water System Operator and provide liaisons with ADEQ or other regulatory agencies and member agencies, as it relates to activities that may affect water quality or compliance with regulations. The Officer shall promptly respond and resolve regulatory or customer questions, activities or complaints related to water quality. The Officer shall promptly respond and communicate water quality issues with the Board of Directors and Officers to facilitate communication with the community of property owners. The Officer is responsible for the effective supervision and administration of the Water System Operator including contractor replacement, records management, budget preparation, performance management, prioritizing and assigning work and related activities. The ADEQ Certified Water System Operator is a critical contract position that is not a Unit 2 property owner and engaged without interruption in service to perform water system monitoring, testing and advice on proper water quality procedures for operation and maintenance. The Operation & Maintenance Officer must have documented approval by the Water System Operator to perform maintenance activities on the water system. The Officer shall assure the following documentation is maintained to be audit ready by ADEQ and available to the Board of Directors and Officers.

1. Water Quality Lab Test Reports.
2. Test procedures for Water Testing
3. System Operating Procedures that guide the well, water storage, pressure and distribution system operation, maintenance and repair.
4. Provide budget estimates for water quality related operation as well as planned and unplanned system maintenance.

5. Documented evidence of approval by the ADEQ Certified System Operator to perform system maintenance activities.
  6. Other documents that support water quality operation or assigned by the Board of Directors.
11. ASSESSMENTS - Reference Bylaws paragraph 5.4 of section 5. Amendment - Board of Directors Meeting - 9/2/2017
- Documented past amendment by the Board of Directors that has been exercised consistently since the early years of the corporation.
- Members with multiple memberships will be assessed on the first membership. Other memberships for vacant lots without water hookup are waived.
12. STATUTORY AGENT - Reference Bylaws section 10.
- Added section 10 that moves the identification of the Statutory Agent to the Bylaws from the Articles of Incorporation so it can be amended by the Board of Directors as needed.

This corporation hereby appoints the Statutory Agent to be:

Larry Heimer  
Heritage Certified Public Accountants, PLLC  
1440 E. Missouri Avenue  
Suite C200  
Phoenix, Arizona 85014  
T: 602.433.2727 | F: 602.433.1507 | E: [lheimer@heritageadvisorsllc.com](mailto:lheimer@heritageadvisorsllc.com)