

BYLAWS
OF
COMBINED WATER SYSTEM

The following are Bylaws of Combined Water System, a corporation (the "Corporation") organized under the Washington Nonprofit Corporation Act (RCW 24.03). These Bylaws provide for operation of a combined water system (the "Combined Water System") that serves the Plat of Brentwood, the Plats of Rocky Point Heights, certain other properties described in the Combined Water System Agreement between Brentwood Homeowners' Association (the "Brentwood HOA") and Rocky Point Heights Community Club (the "Rocky Point Heights CC") dated January 19, 1996, as amended (the "CWS Agreement"), and such other properties as may be approved by the Board of Directors (the "Board") for the Corporation (the "Combined Service Area").

ARTICLE 1. MEMBERSHIP; VOTING.

Section 1.1 Membership. The members are the owners of property within the Combined Service Area that are served or are entitled to be served by the Combined Water System. Corporations, partnerships, limited liability companies, and other legal entities, trustees under an express trust, and other fiduciaries, as well as natural persons may be members of the Corporation.

Section 1.2 Number of Votes. The total voting power of the members equals the number of lots within the Combined Service Area and the total number of votes available to each member shall be equal to one vote for each lot owned by the member.

Section 1.3 Multiple Owners. If only one of the multiple Owners of a Lot is present at a meeting of the Corporation, the Owner is entitled to cast the vote allocated to that Lot. If more than one of the multiple Owners are present, the vote allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the multiple Owners. There is majority agreement if any one of the multiple Owners casts the vote allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot.

Section 1.4 Proxies. The vote allocated to a lot may be cast pursuant to a duly executed proxy. If a Lot is owned by more than one person, each Owner of a Lot may vote or register protest to the casting of votes by the other Owners of the Lot through a duly executed proxy. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Corporation. A proxy is void if it is not dated or purports to be revocable without notice. A proxy is valid only for the meeting for which it is filed unless it specifies a longer period not to exceed 11 months after its date.

ARTICLE 2. MEETINGS OF MEMBERS.

Section 2.1 Place. Meetings of the members of the Corporation shall be held at such suitable place as may be convenient to the members and designated from time to time by the Board.

Section 2.2 Annual Meeting. The annual meeting of the Corporation shall be held in the first quarter of each fiscal year on a date fixed by the Board, which shall not be less than 14 nor more than 60 days after notice of the meeting is given to the members.

Section 2.3 Special Meetings. A special meeting of the Corporation may be called by the Board or upon the written request of members holding 25 percent of the votes in the Corporation. The date for the meeting shall be set by the Board, which shall be not less than 14 nor more than 60 days after notice of the meeting is given to the members. No business shall be transacted at a special meeting except as stated in the notice given therefor unless consented to by all of the members present in person or by proxy.

Section 2.4 Budget Meeting. Within 30 days after adoption of any proposed budget for the Corporation, the Board shall provide a summary of the budget to all of the members and set a date for a meeting of the members to consider ratification of the budget, which shall be not less than 14 nor more than 60 days after mailing the summary. Unless at the meeting members holding a majority of the votes in the Corporation vote to reject the budget, the budget is ratified, whether or not a quorum is present for the meeting. In the event the proposed budget is rejected or the required notice for the meeting is not given, the budget last ratified by the Owners shall be continued until a budget proposed by the Board is ratified.

Section 2.5 Notice of Meetings. It shall be the duty of the secretary to give notice of each annual and special meeting such notice shall be hand-delivered or sent prepaid by first-class United States mail to the mailing address of each member or by electronic transmission to members who have consented in writing or by electronic transmission to receive notices by electronic transmission designating the address to which electronic notices should be sent. The notice of any meeting shall state the time and place of the meeting and the items on the agenda to be voted on by the members. Before any meeting, any member may, in writing, waive notice of such meeting. Attendance by a member at a meeting shall be a waiver by the member of timely and adequate notice unless the member expressly challenges the notice when the meeting begins.

Section 2.6 Quorum. The presence in person or by proxy of members holding 25% of the votes shall be required to constitute a quorum for the transaction of business at any meeting of members of the Corporation, other than a budget meeting.

Section 2.7 Adjournment of Meetings. If any meeting of members cannot be organized because a quorum has not attended, the members present, in person or by proxy, may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called.

Section 2.8 Majority Vote. With the approval of the Board and the Association Boards (as defined in Section 3.1 hereof), matters may be submitted to the members of the Corporation for their approval. Except as otherwise provided in the CWS Agreement, passage of any matter submitted to vote at a meeting where a quorum is present shall require the affirmative vote of at least 51% of the votes present.

ARTICLE 3. BOARD OF DIRECTORS.

Section 3.1 Number and Term. There shall be four directors on the board of directors of the Corporation (the "Board"), who shall be appointed by the members as follows: the boards of directors of Brentwood HOA and Rocky Point Heights CC (each, the "Association Board" and, collectively, the "Association Boards") shall each appoint two directors who shall serve at the pleasure of the Association Board making the appointment.

Section 3.2 Powers and Duties. All powers of the corporation shall be exercised by and under the authority of the Board, subject to the limitations of the Articles, these Bylaws, the CWS Agreement (as amended) and the laws of the State of Washington.

Section 3.3 Vacancies. Any vacancy on the Board shall be filled by appointment by the Association Board entitled to appoint a director to the vacant position.

Section 3.4 Removal of directors. At any time, an Association Board may remove the director appointed by that Association Board, with or without cause.

Section 3.5 Compensation. No compensation shall be paid to directors for their services as directors.

Section 3.6 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by the president. Notice of regular meetings of the Board shall be given to each director personally or by mail, telephone, or electronic transmission, at least three days before the day fixed for the meeting.

Section 3.7 Special Meetings. Special meetings of the Board may be called by the president on three days' notice to each director, given personally or by mail, telephone, or electronic transmission, which notice shall state the time, place, and purpose of the meeting. Special meetings of the Board may be called by any director in like manner and on like notice.

Section 3.8 Waiver of Notice. Before any meeting of the Board, any director may, in writing, waive notice of such meeting. Attendance by a director at any meeting of the Board shall be a waiver by the director of timely and adequate notice unless the director expressly challenges the notice when the meeting begins. If all directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at the meeting.

Section 3.9 Majority Decision; Dispute Resolution. All actions of the Board shall require the approval of at least three directors, provided, however, that in the event that two directors approve a proposed action and two directors disapprove the action and/or fail to vote (a "Dispute"), then upon the request of any director the Dispute shall be referred to the boards of directors of Brentwood HOA and Rocky Point Heights CC who shall, through designated representatives (the "Designated Representatives"), meet within 10 days of the request, summarize in writing the nature and extent of the Dispute and make every reasonable attempt to resolve it. If they are unable to resolve the Dispute within 10 days of the request, the Designated Representatives shall mutually select and appoint a third party advisor (the "Advisor") to advise them on the Dispute. If the Dispute is one that affects or jeopardizes the operation and management of the CWS, the Advisor shall be a licensed engineer familiar with the CWS. If the Dispute is legal in nature, the Advisor shall be lawyer with at least 5 years experience in real estate or community association law or an organization, such as a Dispute Resolution Center experienced in resolving differences between parties. If the Designated Representatives are unable to agree upon the selection of the Advisor, then the selection shall be made by the Presiding Judge of the Island County Superior Court upon the petition of any Designated Representative.

To facilitate resolution of the Dispute, the Advisor initially shall present a non-binding advisory recommendation to the Designated Representatives at a meeting. Upon review of Advisor's recommendation and any additional information the Designated Representatives desire to present, the Designated Representatives shall again vote on the Dispute. If they do not unanimously approve or disapprove the proposed action after such presentation, then, upon the request of Designated

Representatives, the Advisor shall arbitrate the matter at the meeting as it may be continued according to any lawful and reasonable practices and procedures as the Advisor may approve, and the decision of the Advisor shall be in writing delivered to the Designated Representatives and the Board. As provided in the CWS Agreement, the decision of the Advisor is not final and binding and any director or Designated Representative may seek de novo review of the Dispute in Island County Superior Court. The prevailing party in such action shall at the discretion of the trial court be entitled to reasonable attorney's fees.

Section 3.10 Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the Board may be taken (a) without a meeting if a written consent setting forth the action to be taken is signed by every director, with the written consent being inserted in the minute book as if it were the minutes of a meeting of the Board; or (b) by communicating simultaneously with all directors by means of a conference telephone or similar communications equipment, with minutes of such simultaneous communications being inserted in the minute book as if it were the minutes of a physical meeting of the Board.

ARTICLE 4. OFFICERS.

Section 4.1 Designation. The principal officers of the Corporation shall be a president, a vice president, a secretary, and a treasurer, all of whom shall be elected by the Board. Two or more offices may be held by the same person, except that a person may not hold the offices of president and secretary simultaneously.

Section 4.2 Election of Officers. The officers of the Corporation shall be elected annually by the Board at the first Board meeting after the annual meeting of the Corporation. They shall hold office at the pleasure of the Board.

Section 4.3 Removal of Officers. At any regular meeting of the Board or at any special meeting of the Board called for such purpose, upon the affirmative vote of the members of the Board, any officer may be removed, either with or without cause. A successor to the removed officer may be elected at any such meeting.

Section 4.4 President. The president shall be the chief executive officer of the Corporation. The president shall preside at all meetings of the Corporation and of the Board and shall have all powers and duties usually vested in the office of the president.

Section 4.5 Vice President. The vice president shall perform the duties of the president when the president is absent or unable to act, and shall perform such other duties as may be prescribed by the Board.

Section 4.6 Secretary. The secretary shall keep the minutes of all meetings of the Board and of the Corporation and shall have custody of the business records of the Board and the Corporation, other than financial records kept by the treasurer. The secretary shall also perform such other duties as may be prescribed by the Board.

Section 4.7 Treasurer. The treasurer shall have responsibility for Corporation funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation.

ARTICLE 5. OPERATION AND MANAGEMENT OF COMBINED WATER SYSTEM

Section 5.1 Management; Business Practices. The Board shall be responsible for the management of the Combined Water System. It shall make all decisions in connection with the operation of Combined Water System in accordance with authority granted by the Association Boards, the CWS Agreement and these Bylaws.

Section 5.2 Business Practices. The Board shall design, maintain, update and implement operational business practices for Combined Water System. Such business practices shall include but not be limited to (a) rate structures, fees and late payment and collection policies; (b) water allotments; (c) meter reading; (d) billing schedules and format; (e) leak policy; (f) connection control and charges; (g) water verification form control; (h) cross connection control; and (i) connection service agreements.

Section 5.3 Water Management Company. The Board shall hire a professional firm experienced with water management (the "Water Management Company") to assist it in operating and managing the Combined Water System. The contract shall be on an annual renewable basis shall cover, among other things, the following items:

5.3.1 Keeping Combined Water System is in compliance with all Island County and State of Washington regulatory requirements;

5.3.2 Maintaining equipment and infrastructure for the Combined Water System in good and serviceable condition;

5.3.3 Customer service, meter reading, billing, collection and banking activities;

5.3.4 Reporting, advising and implementing of specific business practices approved by the Board; and

5.3.5 Managing the Combined Water System in accordance with Board policies.

Section 5.4 Bookkeeping. Unless provided by the Water Management Company, the Board shall hire professional bookkeeping assistance to provide and maintain detailed financial records, assist in the development of annual and long-range financial plans and to assist in the normal accounts payable activities of the Combined Water System.

Section 5.5 Water Service and Connection Charges. The Board shall establish water service charges for all owners of (a) lots in Brentwood and Rocky Point Heights, (b) other properties described in the CWS Agreement, (c) other properties to which Brentwood HOA and Rocky Point Heights CC have agreed to provide water service and (d) other properties to which the Corporation hereafter agrees to provide water service within the Combined Service Area. Charges may be equal flat fees or based on usage if there are meters for determining usage or a combination thereof. The Corporation may establish connection fees for installation of meters and commencement of water service. The Corporation shall have all remedies at law and equity for collection of water service and connection charges, including termination of water service after notice. With respect to owners of lots in Brentwood and Rocky Point Heights, the obligation to pay water service charges shall also be considered as part of their assessment obligations to the Brentwood HOA and Rocky Point Heights CC through their respective recorded covenants, articles and/or bylaws. The Combined Water System Agreement, Memorandums of Understanding and other agreements relating to the CWS establish that the charges/assessments for water

service shall be the same for all members of the Corporation whether their lots are within the Plats or outside the Plats.

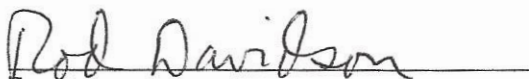
Section 5.6 Budgets. The Board shall establish budgets and charges for the operation of the Combined Water System. The rate structure shall recognize the nonprofit status of the Corporation, and will account for all expenses associated with the operation, maintenance, repair, replacement, management, insurance, and improvement of the Combined Water System, including but not limited to the cost of acquiring additional wells or other sources of water necessary to serve Customers within the Corporation's service area. The budget and charges shall include reserves reasonably necessary for replacement and improvement of the Combined Water System infrastructure and should encourage conservation strategies consistent with the Corporation's desire to be a good steward of a limited natural resource.

Section 5.7 Records, Funds and Reports. The Board shall cause to be kept complete, detailed, and accurate books and records of the receipts and expenditures of the Corporation, in a form that complies with generally accepted accounting principles. The Board shall establish the necessary funds or accounts to provide properly for the operation and maintenance of the Combined Water System. The Board shall provide on an annual basis detailed financial reporting, including a current balance sheet and annual budget, as well as a general report on the status and plans for the Combined Water System. Additionally, the Board shall provide interim reports, notices and/or host meetings as may be needed or required. The books and records, authorizations for payment of expenditures, and all contracts, documents, papers, and other records of the Corporation shall be available for examination by the members or their agents during normal business hours and at any other reasonable time or times.

ARTICLE 6. AMENDMENTS.

These Bylaws may be amended by the Board with the approval of the Association Boards.

The foregoing Bylaws were adopted as of June 23, 2010, by consent in lieu of the organizational meeting of the Corporation.


Secretary