

**BYLAWS  
OF  
CRYSTAL HIGHLANDS WATER ASSOCIATION (CHWA)**

**ARTICLE I  
NAME**

The name of this Corporation is Crystal Highlands Water Association, herein called the "Association", and/or CHWA.

**ARTICLE II  
OFFICES**

*2.01 Principal Office.*

The principal office of the Association shall be at such place within the state of Michigan as the Board of Directors may determine from time to time.

*2.02 Other Offices.*

The Board of Directors may establish other offices in or outside the state of Michigan.

**ARTICLE III  
PURPOSE**

The specific purpose or purposes for which the Association is formed are stated in its Articles of Incorporation. In general, the Association is formed to establish and manage a community water system for its members, which is free from Federal and State taxation.

**ARTICLE IV  
MEMBERSHIP**

*Eligibility for Membership.*

To be eligible for membership in the Association, an individual must satisfy the following requirements:

*Section 1: Scope of Membership*

All owners and purchasers of any fee interest or undivided fee interest in the 60 lots developed by Crystal Highlands Orchard Inc. prior to January 1, 1985 are members of the Crystal Highlands Water Association. The 61 lots include the following:

- A. 54 lots in the Plat of Crystal Highlands #1
- B. Lots A, B, C, and D, lying west of Lot # 12 of the Plat of Crystal Highlands # 1
- C. The unplatted lot between Lot # 34 and lot # 35 of the Plat of Crystal Highlands # 1.
- D. Lots Y and Z, lying southwest of Lots # 31, # 32, # 33, # 34 of the Plat of Crystal Highlands #1.

The number of lots eligible for membership may have been reduced if lots were combined. Combined lots are eligible for only one (1) membership and may never again be bifurcated.

## Section 2: Term of Membership

- A. The membership of the persons or entities shall be construed as an incident of ownership of the real property interest giving rise to membership and shall, therefore, commence automatically upon the recording of deed of conveyance, land contract, lease or other document representing such interest and shall terminate upon presentation to the Association of written evidence satisfactory to the Association that such interest has been transferred, assigned or conveyed to a third person. Upon such transfer, assignment or conveyance, such third person shall automatically become a member of the Association. During such time as any land contract is in force with respect to any real property giving rise to membership, the land contract vendee is considered to be the member of the Association. Holders of mortgages, liens, encumbrances, easements, rights-of-way, and holders of legal title under land contracts or sellers under purchase agreements, shall not be considered owners of property for purposes of determining membership in the Association.
- B. A Member may lease his/her residence. The terms of all leases, occupancy agreements, and arrangements shall incorporate, or be deemed to incorporate, all the provisions of these Bylaws for the Association. In all cases, the owner of any leased property is responsible for all Association fees and assessments.

## Section 3: Voting by Members

**On all voting matters, each member who owns a lot that is “actively served” by the Water System, shall have one (1) vote for each “actively served” lot. “Actively served” means that:**

- A. the lot owner has paid the Initial Connection Fee as determined by the Board of Directors,
- B. a residence has been constructed on the lot,
- C. the member is current with the payment for the Annual Usage Fee as determined by the Board of Directors, and
- D. the Water System is connected to the residence for use by the occupants.

Owners of lots which are “**not actively served**” but which are otherwise eligible to be served pursuant to the original plan, may vote upon condition of payment of the Annual Maintenance Fee as determined by the Board of Directors. **Each undeveloped lot which is “not actively served” is eligible for 1/3 vote on all voting matters.**

## Section 4: Voting by Proxy

Votes may be cast by proxy, email, or mailed by the voting lot owner or his/her representative who is not present at any given meeting. Proxies must be filed with the Secretary at or before the appointed time of each meeting of the membership. Cumulative voting shall not be permitted.

## Section 5: Membership Records

The Board shall maintain a record of the entire Association membership. Such records shall be open to inspection by all members of the Association. Each member shall furnish to the Association the postal and email addresses to which all notices shall be sent. Additionally, each member shall also provide an emergency phone number to be kept as part of their record to expedite contact in the case of an emergency with the Water System. The Secretary/Treasurer shall maintain these records.

## **ARTICLE V FINANCES**

### *5.01: Membership Fees.*

The Board of Directors shall establish fees for initial and ongoing membership in the Association. The billing and collection of fees shall be in a manner prescribed by the Board of Directors. Fees for members will be determined by the Board of Directors and will include:

A. **the Initial Connection Fee** which is required to allow a member to establish a connection to the Water System and establish an “actively served” lot. The Initial Connection Fee must be paid before a lot can make the initial connection to the water system.

B. **the Annual Maintenance Fee** which is to be paid each year for each lot which is **not** “actively served”.

C. **the Annual Usage Fee** which is to be paid each year for each “actively served” lot after the initial year of service.

Annual Maintenance and Annual Usage fees are due by the date specified by the Board of Directors. Failure to pay these fees by the due date could result in the imposition of a late fee of 5% per month, as determined by the discretion of the Board. In addition, failure to have paid the Annual Maintenance and/or Annual Usage fees and any associated late fees by the specified due date could result in the forfeiture of voting rights if a membership vote is required during the time in which the member is delinquent with their fee payments.

The Annual Maintenance and Annual Usage fees are subject to change by the Board to ensure fiscal stability of the Association to handle normal and extraordinary maintenance and repairs of the Water System. The Board of Directors is required by law, with maintaining enough financial liquidity to handle regular maintenance and to anticipate major replacement of the components of the Water System.

### *5.02 Special Assessments.*

New, special assessments, in addition to any then outstanding, may be levied upon approval of the members of the Association.

A. New special assessment amounts will be determined by the Board of Directors, depending on the financial requirements of the Association which generate the requirement for an assessment.

B. New special assessments may be permitted if approved by a majority of the membership of the Association who cast votes.

C. Ballots must be mailed or emailed to the membership a minimum of 30 days before the ballot due date.

D. Total ballots received must represent at least a majority of the possible votes of the members in good standing.

E. Ballots may be returned via the USPS mail, or response by email will be considered valid.

F. Such favorable votes may cover obligations to make special assessment payments in more than one year up to a maximum of twenty years.

G. All Association members are subject to full amount of any special assessment.

### *5.03 Termination of Membership.*

Membership may be terminated, and water service may be discontinued by the Board of

Directors on the occurrence of any of the following events:

A. Failure to pay the established fees within 90 days of the specified due dates, after written notice of payment due.

B. Failure to satisfy the requirements of Article IV of the Bylaws.

#### *5.04 Annual Meeting.*

The annual membership meeting of the Association shall be held on the same day and immediately following the Crystal Highlands Owners Association meeting, as determined by the Board of Directors. At each annual membership meeting, directors may be elected, and any other business shall be transacted that may come before the meeting.

#### *5.05 Special Meetings.*

Special meetings of the Association members may be called by the Board of Directors or by the President of the Board. Such meetings shall also be called by the President or Secretary at the written request of not less than 10 percent of the members.

#### *5.06 Place of Meetings.*

All membership meetings shall be held at a place determined by the Board of Directors and stated in the notice of the meeting.

#### *5.07 Notice of Meetings.*

Except as otherwise provided by statute, notice of the time, place, and purposes of a membership meeting shall be given not less than 10 days nor more than 60 days before the date of the meeting. Notice of membership meetings shall be given by email or postal mail to each member of record entitled to vote at the meeting at his or her last address as it appears on the books of the corporation.

#### *5.08 Record Dates. T*

he Board of Directors may fix, in advance, a record date for the purpose of determining members entitled to notice of and to vote at a membership meeting or an adjournment of the meeting, or to express consent to or to dissent from a proposal without a meeting, or for the purpose of any other action. The date fixed shall not be more than 60 days nor less than 10 days before the date of the meeting, nor more than 60 days before any other action.

#### *5.09 List of Members.*

The Secretary/Treasurer of the Association or the agent of the Association having charge of the membership records of the Association shall make and certify a complete list of the members entitled to vote at a membership meeting or any adjournment. The list shall be arranged alphabetically with the address of each member, be produced at the time and place of the membership meeting, be subject to inspection by any members during the whole time of the meeting and be prima facie evidence of the members entitled to examine the list or vote at the meeting.

#### *5.10 Quorum.*

Unless a greater or lesser quorum is required by statute, members present in person or by proxy, who, as of the record date, represented fifty (50) percent of the members entitled to vote, as determined by lot ownership and type, at a membership meeting shall constitute a quorum at the meeting. Whether or not a quorum is present, the meeting may be adjourned by

vote of the members present.

#### 5.11 *Proxies.*

A member entitled to vote at a membership meeting or to express consent or dissent without a meeting may authorize other persons to act for the member by proxy. A proxy shall be signed by the member or the member's authorized agent or representative and shall not be valid after the expiration of three years, unless otherwise provided in the proxy. A proxy is revocable at the pleasure of the member executing it except as otherwise provided by statute.

#### 5.12 *Voting.*

Each member (one vote per lot "actively served") and (one third (1/3) vote for lot eligible but not yet served) is entitled to vote on each matter submitted to a vote. A vote must be cast in writing, either through an official ballot or through an email. When an action, other than the election of directors, is to be taken by a vote of the members, it shall be authorized by a majority of the votes cast by the members entitled to vote, unless a greater vote is required by statute. Directors shall be elected by a plurality of votes cast at any election.

#### 5.13 *Meeting by Telephone or Similar Equipment.*

A member may participate in a membership meeting by conference telephone or any similar communications equipment through which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section constitutes presence in person at the meeting.

## **ARTICLE VI BOARD of DIRECTORS**

#### 6.01 *General Powers.*

The business, property, and affairs of the Association shall be managed by the Board of Directors.

#### 6.02 *Number.*

There shall be not less than **three (3)** nor more than **five (5)** Directors on the board as shall be fixed from time to time by the Board of Directors.

#### 6.03 *Tenure.*

Directors shall be elected at each annual membership meeting, to hold office until the next annual membership meeting, based on the nominations identified at the meeting. If a quorum of the membership votes is not available at the annual meeting, the current directors will continue for another year.

#### 6.04 *Resignation.*

A Director may resign at any time by providing written notice to the Association. Notice of resignation will be effective on receipt or at a later time designated in the notice. A successor shall be appointed as provided in section 6.06 of the bylaws.

#### 6.05 *Removal.*

Any Director may be removed with or without cause by a majority vote of the members entitled to vote at an election of Directors.

#### 6.06 *Board Vacancies.*

A vacancy on the Board may be filled with a person selected by the remaining Directors of the Board, though less than a quorum of the Board of Directors, unless filled by proper action of the members. Each person so elected shall be a Director for a term of office continuing until the next election of Directors by the members.

#### 6.07 *Annual Meeting.*

An annual Board meeting shall be held each year immediately after the annual membership meeting. If the annual Board meeting is not held at that time, the Board shall cause the meeting to be held as soon thereafter as is convenient.

#### 6.08 *Regular Meetings.*

Regular meetings of the Board may be held at the time and place as determined by a Board resolution without notice other than the resolution.

#### 6.09 *Special Meetings.*

Special meetings of the Board may be called by the President or any two Directors at a time and place as determined by those persons authorized to call special meetings. Notice of the time and place of special meetings shall be given to each Director in any manner at least three days before the meeting.

#### 6.10 *Statement of Purpose.*

Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice for that meeting.

#### 6.11 *Waiver of Notice.*

The attendance of a Director at a Board meeting shall constitute a waiver of notice of the meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. In addition, the Director may submit a signed waiver of notice that shall constitute a waiver of notice of the meeting.

#### 6.12 *Meeting by Telephone or Similar Equipment.*

A Director may participate in a meeting by conference telephone or any similar communications equipment through which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section constitutes presence in person at the meeting.

#### 6.13 *Quorum.*

A majority of the Directors then in office constitutes a quorum for the transaction of any business at any meeting of the Board. Actions voted on by a majority of Directors present at a meeting where a quorum is present shall constitute authorized actions of the Board.

#### 6.14 *Consent to Association Actions.*

Any action required or permitted to be taken pursuant to Board authorization may be taken without a meeting if, before or after the action, all Directors consent to the action in writing. Written consents shall be filed with the minutes of the board's proceeding.

## **ARTICLE VII COMMITTEES**

### *7.01 General Powers.*

The Board, by resolution adopted by a vote of a majority of its Directors, may designate one or more committees, each committee consisting of one or more Directors. The Board may also designate one or more Directors as alternate committee members who may replace an absent or disqualified member at a committee meeting. If a committee member is absent or disqualified from voting, then members present at a meeting who are not disqualified from voting may, whether or not they constitute a quorum, unanimously appoint an alternate committee member to act at the committee meeting in place of the absent or disqualified member. All committees designated by the Board shall serve at the pleasure of the Board.

A committee may be designated by the Board and shall be constituted to develop and make recommendations to the Board for potential actions.

### *7.02 Meetings.*

Committees shall meet as directed by the Board, and their meetings shall be governed by the rules provided in Article VI for meetings of the Board. Minutes shall be recorded at each committee meeting and shall be presented to the Board.

### *7.03 Consent to Committee Actions.*

Any action required or permitted to be taken pursuant to authorization of a committee may be taken without a meeting if, before or after the action, all members of the committee consent to the action in writing. Written consents shall be filed with the minutes of the committee's proceedings.

### *7.04 Contract Right; Limitation on Indemnity.*

The right to indemnification conferred in this article shall be a contract right and shall apply to services of a director or officer as an employee or agent of the corporation as well as in such person's capacity as a director or officer. Except as provided in section 7.03 of this article, the corporation shall have no obligations under this article to indemnify any person in connection with any proceeding, or part thereof, initiated by such person without authorization by the board.

### *7.05 Determination That Indemnification Is Proper.*

Any indemnification under sections 7.01 or 7.02 of this article (unless ordered by a court) shall be made by the corporation only as authorized in the specific case. The corporation must determine that indemnification of the person is proper in the circumstances because the person has met the applicable standard of conduct set forth in sections 7.01 or 7.02, whichever is applicable. Such determination shall be made in any of the following ways:

- A. By a majority vote of a quorum of the board consisting of directors who were not parties to such action, suit, or proceeding.
- B. If the quorum described in clause (a) above is not obtainable, then by a committee of directors who are not parties to the action. The committee shall consist of not less than two disinterested directors.
- C. By independent legal counsel in a written opinion.
- D. By the members.

*7.06 Proportionate Indemnity.*

If a person is entitled to indemnification under sections 7.01 or 7.02 of this article for a portion of expenses, including attorney fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount, the corporation shall indemnify the person for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the person is entitled to be indemnified.

*7.07 Expense Advance.*

Expenses incurred in defending a civil or criminal action, suit, or proceeding described in sections 7.01 or 7.02 of this article may be paid by the corporation in advance of the final disposition of the action, suit, or proceeding on receipt of an undertaking by or on behalf of the person involved to repay the expenses, if it is ultimately determined that the person is not entitled to be indemnified by the corporation. The undertaking shall be an unlimited general obligation of the person on whose behalf advances are made but need not be secured.

*7.08 Nonexclusivity of Rights.*

The indemnification or advancement of expenses provided under this article is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under a contractual arrangement with the corporation. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses.

*7.09 Indemnification of Employees and Agents of the Corporation.*

The corporation may, to the extent authorized from time to time by the board, grant rights to indemnification and to the advancement of expenses to any employee or agent of the corporation to the fullest extent of the provisions of this article with respect to the indemnification and advancement of expenses of directors and officers of the corporation

## **ARTICLE VIII OFFICERS**

*8.01 Number.*

The officers of the Association shall be appointed by the Board. The officers shall be a president, a secretary, and a treasurer. There may also be a vice president, and such other officers as the Board deems appropriate. The President shall be a voting member of the Board. Two or more offices may be held by the same person, but such person shall not execute, acknowledge, or verify an instrument in more than one capacity if the instrument is required by law or by the President or by the Board to be executed, acknowledged, or verified by two or more officers.

*8.02 Term of Office.*

Each officer shall hold office for the term appointed and until a successor is appointed and qualified. An officer may resign at any time by providing written notice to the Board. Notice of resignation is effective on receipt or at a later time designated in the notice.

*8.03 Removal.*

An officer appointed by the Board may be removed with or without cause by vote of a majority of the Board. The removal shall be without prejudice to the person's contract rights, if any. Appointment to an office does not of itself create contract rights.



8.04 *Vacancies.*

A vacancy in any office for any reason may be filled by the Board.

8.05 *President.*

The President shall be the chief executive officer of the corporation and shall have authority over the general control and management of the business and affairs of the corporation. The President shall have power to appoint or discharge employees, agents, or independent contractors, to determine their duties, and to fix their compensation. The President shall sign all corporate documents and agreements on behalf of the corporation, unless the President or the Board instructs that the signing be done with or by some other officer, agent, or employee. The President shall see that all actions taken by the Board are executed and shall perform all other duties incident to the office. This is subject, however, to the President's right and the right of the Board to delegate any specific power to any other officer of the corporation.

8.06 *Vice President.*

The vice president, if any, shall have the power to perform duties that may be assigned by the President or the Board. If the President is absent or unable to perform his or her duties, the vice president shall perform the President's duties until the Board directs otherwise. The vice president shall perform all duties incident to the office.

8.07 *Secretary.*

The Secretary shall (a) keep minutes of Board meetings; (b) be responsible for providing notice to each Director as required by law, the articles of incorporation, or these bylaws; (c) be the custodian of Association records; (d) keep a register of the names and addresses of each member officer and director; and (e) perform all duties incident to the office and other duties assigned by the President or the Board.

8.08 *Treasurer.*

The Treasurer shall (a) have charge and custody over Association funds and securities; (b) keep accurate books and records of Association receipts and disbursements; (c) deposit all moneys and securities received by the Association at such depositories in the Association's name that may be designated by the Board; (d) complete all required corporate filings; and (e) perform all duties incident to the office and other duties assigned by the President or the Board.

**ARTICLE IX  
CORPORATE DOCUMENT PROCEDURE**

All Association documents (including stocks, bonds, agreements, insurance and checks, notes, disbursements, loans, and other debt obligations) shall not be signed by any officer, designated agent, or attorney-in-fact unless authorized by the Board or by these Bylaws.

**ARTICLE X  
INDEMNIFICATION**

10.01 *Nonderivative Actions.*

Subject to all of the other provisions of this article, the Association shall indemnify any person

who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding. This includes any civil, criminal, administrative, or investigative proceeding, whether formal or informal (other than an action by or in the right of the corporation). Such indemnification shall apply only to a person who was or is a Director or officer of the corporation, or who was or is serving at the request of the corporation as a Director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not for profit. The person shall be indemnified and held harmless against expenses (including attorney fees), judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or its members. With respect to any criminal action or proceeding, the person must have had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent, shall not by itself create a presumption that (a) the person did not act in good faith and in a manner that the person reasonably believed to be in or not opposed to the best interests of the corporation or its members or (b) with respect to any criminal action or proceeding, the person had reasonable cause to believe that his or her conduct was unlawful.

#### *10.02 Derivative Actions.*

Subject to all of the provisions of this article, the corporation shall indemnify any person who was or is a party to, or is threatened to be made a party to, any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor because (a) the person was or is a Director or officer of the corporation or (b) the person was or is serving at the request of the corporation as a Director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether or not for profit. The person shall be indemnified and held harmless against expenses (including actual and reasonable attorney fees) and amounts paid in settlement incurred by the person in connection with such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation or its members. However, indemnification shall not be made for any claim, issue, or matter in which such person has been found liable to the corporation unless and only to the extent that the court in which such action or suit was brought has determined on application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for the expenses which the court considers proper.

#### *10.03 Expenses of Successful Defense.*

To the extent that a person has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in sections 10.01 or 10.02 of this article, or in defense of any claim, issue, or matter in the action, suit, or proceeding, the person shall be indemnified against expenses (including actual and reasonable attorney fees) incurred in connection with the action and in any proceeding brought to enforce the mandatory indemnification provided by this article.

#### *10.10 Former Directors and Officers.*

The indemnification provided in this article continues for a person who has ceased to be a Director or officer and shall inure to the benefit of the heirs, executors, and administrators of

that person.

#### 10.11 *Insurance.*

The corporation may purchase and maintain insurance on behalf of any person who (a) was or is a Director, officer, employee, or agent of the Association or (b) was or is serving at the request of the Association as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise. Such insurance may protect against any liability asserted against the person and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the corporation would have power to indemnify against such liability under this article or the laws of the state of Michigan.

#### 10.12 *Changes in Michigan Law.*

If there are any changes in the Michigan statutory provisions applicable to the corporation and relating to the subject matter of this article, then the indemnification to which any person shall be entitled shall be determined by such changed provisions, but only to the extent that any such change permits the corporation to provide broader indemnification rights than such provisions permitted the corporation to provide before any such change.

### **ARTICLE XI COMPENSATION**

When authorized by the Board, a person shall be reasonably compensated for services rendered to the corporation as an officer, Director, employee, agent, or independent contractor, except as prohibited by these bylaws.

### **ARTICLE XII FISCAL YEAR**

The fiscal year of the corporation shall end on **December 31**.

### **ARTICLE XIII AMENDMENTS**

The Board of Directors, at any regular or special meeting, may amend or repeal these bylaws, or adopt new bylaws by vote of a majority of the Directors, if notice setting forth the terms of the proposal has been given in accordance with any notice requirement for such meeting of the Board.