

BYLAWS
OF
LASSEN PINES MUTUAL WATER CO., INC.

December 2010

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**BYLAWS
OF
LASSEN PINES MUTUAL WATER CO., INC.**

**ARTICLE 1
RECITALS AND DEFINITIONS**

1.01. Name of Corporation. The name of this corporation is LASSEN PINES MUTUAL WATER CO., INC. and shall be referred to herein as the "corporation."

1.02. Corporation Is Nonprofit. The corporation has been formed pursuant to the California Nonprofit Mutual Benefit Corporation Law (Corporations Code §§7110-8970) as a nonprofit mutual benefit corporation.

1.03. Specific Purpose. The specific and primary purpose of this corporation shall be to develop, distribute, supply, and deliver water for irrigation and domestic use to its members at actual cost, plus necessary expenses, in accordance with Corporations Code §§14300-14303.

1.04. Approval by All Members. As used in these Bylaws, approval by (or approval of) all members means approval by the affirmative vote, at a meeting or by written ballot, of a majority—unless the context requires a greater porportion—of every member of the corporation. Said term is to include Owners whose membership rights have been suspended, but does not include Owners whose membership rights have been terminated.

1.05. Articles. Articles means the Restated Articles of Incorporation of Lassen Pines Mutual Water Co., Inc. which are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

1.06. Assessment. Assessment means any charge made or assessed by the corporation against an Owner and his or her membership interest.

1.07. Board. Board shall mean the Board of Directors of the Lassen Pines Mutual Water Co., Inc.

1.08. Bylaws. Bylaws shall mean the duly adopted corporate bylaws, as the same may be amended, from time to time.

1.09. County. The term "County" means the County of Shasta, State of California.

1.10. Electronic Transmission - By The Corporation. Electronic

transmission by the corporation means a communication:

(a) Delivered by: (i) Facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for the recipient on record with the corporation; (ii) Posting on any electronic message board or network which the corporation has designated for those communications, together with separate notice to the recipient of the posting. Said transmission shall be validly delivered upon the later of the posting or delivery of the separate notice thereof; or (iii) Other means of electronic communication;

(b) To a recipient who has provided an unrevoked consent to the use of those means of transmission for communications pursuant to these bylaws; and

(c) A record is created that is capable of retention, retrieval, review, and that may thereafter be rendered into clearly legible tangible form.

(d) Notwithstanding the foregoing:

(i) An electronic transmission by this corporation to a member is not authorized unless, in addition to satisfying the requirements of this section, the consent to the transmission has been preceded by or includes a clear written statement to the recipient as to (a) any right of the recipient to have the record provided or made available on paper in nonelectronic form, (b) whether the consent applies only to that transmission, to specified categories of communications, or to all communications from the corporation, and (c) the procedures the recipient must use to withdraw consent.

(ii) Notice shall not be given by electronic transmission by the corporation after either of the following: (a) the corporation is unable to deliver two consecutive notices to the member by that means or (b) the inability so to deliver the notices to the member becomes known to the Secretary, any assistant secretary, or any other person responsible for the giving of the notice.

1.11. Electronic Transmission - To The Corporation. Electronic transmission to the corporation means:

(a) Delivered by (i) Facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, that the corporation has provided for the sending of communications to the corporation; (ii) Posting on any electronic message board or network which the corporation has designated for those communications. Said transmission shall be validly delivered upon the posting; or Other means of electronic

communication;

(b) Provided the corporation has placed in effect reasonable measures to verify the sender is the director or member (in person or by proxy) purporting to send the transmission; and

(c) A record is created that is capable of retention, retrieval, review, and that may thereafter be rendered into clearly legible tangible form.

1.12. Governing Documents. Governing Instruments means, the Articles of Incorporation and Bylaws of the Lassen Pines Mutual Water Co., Inc., and any Rules or Regulations promulgated by the Board of Directors.

1.13. Member. Member means every person or entity entitled to membership in the corporation and whose rights as a member are not terminated as provided in these Bylaws.

1.14. Owner. Owner means the record holder or holders of record fee title to real property, and any contract sellers under recorded contracts of sale. Owner shall not include any persons or entities who hold an interest in real property merely as security for performance of an obligation.

1.15. Office of the Recorder. The term "Office of the Recorder" means the Office of the Recorder, County of Shasta, State of California.

1.16. Person. The term "Person" means and includes any natural individual, trust, corporation, partnership, association or other entity recognized by the laws of the State of California.

1.17. Special Individual Assessment. Special Individual Assessment means an Assessment made against an Owner and his or her membership interest in accordance with section 5.17 hereof.

1.18. Service Area. Service Area means the properties that are being provided water by the corporation. The current Service Area is defined as set forth in Exhibit A, attached hereto and incorporated by this reference as if fully set forth herein.

1.19. Rules and Regulations. Rules and Regulations means any Rules and Regulations promulgated by the Board of Directors.

1.20. Voting Power. The term "voting power" means those Members who are eligible to vote for the election of Directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the

time any determination of voting power is made.

1.21. Written; In Writing. Written or "in writing" includes facsimile, telegram, and other electronic communication, including Electronic Transmission By or To The Corporation.

ARTICLE 2 MEMBERSHIP

2.01. Members. This corporation shall have one class of members, designated as regular. Every Owner of real property within the Service Area of the corporation is a Member of the Corporation. Membership in the Corporation is appurtenant to, and may not be separated from, ownership of any piece of real property in the Service Area, except after sale or forfeiture for delinquent assessments as provided for in Corporations Code §14303, or its successor.

2.02. Other Persons Associated With Corporation. This corporation may refer to persons of non-voting classes or other persons or entities associated with it as "members" even though those persons or entities are not voting members as set forth in section 5.02 of the Bylaws, but such reference shall not constitute anyone as a member within the meaning of Corporations Code §5056, unless that person or entity shall have qualified as a voting member under section 2.01. References in these Bylaws to "members" shall mean members as defined in Corporations Code §5056; i.e., the members set forth in section 2.01 of these Bylaws. By amendment of its Articles of Incorporation or of these Bylaws, the corporation may grant some or all of the rights of a member of any class to any person or entity that does not have the right to vote on the matters specified in section 5.02 of these Bylaws, but no such person or entity shall be a member within the meaning of Corporations Code §5056.

2.03. Term of Membership. Each Owner who is a Member shall remain a Member until he or she no longer qualifies as such under section 2.01, above. Upon the sale, conveyance or other transfer of an Owner's interest in real property, the Owner's membership interest appurtenant to the real property shall automatically transfer to the real property's new Owner(s).

2.04. Multiple Ownership of Property. Ownership of real property shall give rise to a single membership vote in the corporation. Accordingly, if more than one person owns a piece of real property in the Service Area, all of these persons shall be deemed to be one Member for voting and notice purposes, although all such Owners shall have equal rights as Members to use and enjoy the water provided by the corporation. Any one of the multiple Owners shall be entitled to vote the membership, unless the secretary of the corporation is

notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. Unless the Board receives a written objection in advance from a co-owner, the Secretary or other persons or persons designated as inspectors by the Board of Directors, may accept the vote of any Owner of record, or proxy holder of such an Owner, as the vote attributable to the property in question. If no designation is made or it is revoked, the majority vote of the co-owners shall be the vote attributable to the property and shall bind all co-owners. If multiple Owners of a piece of real property in the Service Area attempt to vote the membership attributable to said property in an inconsistent fashion, or if there is a tie vote between the Owners, the Secretary or other person or persons designated as inspectors of election by the Board of Directors may refuse to count any ballot pertaining to the property, but the membership shall be considered for purposes of determining whether the quorum requirements applicable to the vote or meeting have been met.

2.05. Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until such person has advised the Secretary in writing that he or she is qualified to be a Member under section 2.01, above, and, if requested by the Secretary, has provided the Secretary with evidence of such qualification in the form of a copy of a recorded grant deed (certified by the Office of the Recorder) or a currently effective policy of title insurance. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting, and actions by written ballot and eligibility for voting set forth in Article 3 of these Bylaws.

ARTICLE 3 MEMBERSHIP VOTING

3.01. Single Class of Membership. The corporation shall have one class of voting membership.

3.02. Member Voting Rights. On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each piece of real property in the Service Area owned by such Member. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in section 2.04 of these Bylaws. Membership approval may be obtained (i) at a membership meeting (section 3.04), (ii) by written ballot (section 3.14), or by (iii) unanimous written consent (section 3.15).

3.03. Eligibility To Vote - Good Standing. Except as may otherwise be required by law or these Bylaws, only Members in good standing shall be

entitled to vote for directors and on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments and charges levied against the Member's interest and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with sections 16.08 and 16.09. A Member's good standing shall be determined as of the record date established in accordance with sections 4.17– 4.22, of these Bylaws. The corporation shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments and charges, although a delinquent Member shall be entitled to request such a hearing in accordance with the sections 16.09 of these Bylaws.

(a) A Member who owns more than one piece of real property in the Service Area shall be ineligible to vote if that Member is delinquent with respect to any piece of real property in the Service Area.

3.04. Voting at Membership Meetings. Voting at any membership meeting may be by voice or by ballot, as provided in this section. The voting in any election of directors need not be by ballot unless a member demands election by ballot at the meeting and before the voting begins, in which case voting for directors shall be conducted by secret ballot. The vote on any other issue properly before a meeting of the Members shall be conducted by secret ballot as determined by the chair of the meeting, in his or her discretion, or when requested by 25 percent of the Voting Power present at the meeting.

(a) Proxy Voting. Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in sections 3.06– 3.13.

(b) No Cumulative Voting. Cumulative voting shall not be permitted.

3.05. Majority Vote Required. If a quorum is present, the affirmative vote of the majority of the Voting Power of Members represented at the meeting, entitled to vote and voting on any matter (other than the election of directors) shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the Governing Documents. In the case of director elections, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected to the vacant director positions.

3.06. Proxy Voting Allowed. Subject to the provisions of this article, any Member entitled to vote may do so either in person or by one or more agents authorized by a written proxy, which is signed by the Member and filed with the secretary of the corporation. Any proxy shall be for a term not to

exceed eleven (11) months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

3.07. Effectiveness of Proxies. Every proxy continues in full force and effect until revoked by the issuing member prior to the vote pursuant thereto subject to the maximum term of a proxy set forth in section 3.06, above. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the Secretary of a written notice of revocation, (ii) a subsequent proxy executed by the Member executing the prior proxy and presented at the meeting, or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates shown on the forms of proxy presumptively determine the order of execution, regardless of the postmarks shown on the envelopes in which they are mailed. A proxy shall be deemed revoked when the Secretary shall receive actual notice of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner as provided in section 2.01.

3.08. Validity of Proxies in Certain Matters. Any proxy given with respect to any of the matters described in this section shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

- (i) Removal of directors without cause;
- (ii) Filling of vacancies on the Board;
- (iii) Approval of contracts or transactions between the corporation and one or more of its directors, or between the corporation and another corporation, firm or association in which one or more of its directors has a material financial interest;
- (iv) Amendment of the Articles of Incorporation, or these Bylaws;
- (v) Action to change any corporation assessments in a manner requiring membership approval under the Governing Documents;
- (vi) Sale, lease, exchange, transfer or other disposition of all or substantially all of the corporation's assets otherwise than in the regular course of the corporation's activities;
- (vii) Merger of the corporation or an amendment to an agreement of

merger; and

(viii) Voluntary dissolution of the corporation.

3.09. Limited Proxies. If the form of proxy lists one or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference.

(a) If a proxy form issued in connection with the election of directors lists the candidates' names and the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a director. If any proxy issued in connection with the election of directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer.

3.10. Proxy Rules for Memberships Held by More Than One Person. Where two or more persons constitute a Member, any proxy with respect to the vote of such Member shall be signed by all such persons. All such persons may attend meetings, but no vote of such Member shall be cast without the unanimous consent of all persons present at such meeting constituting each Member.

3.11. No Proxy Voting with Written Ballots. Proxy voting shall not be allowed when Members' votes are solicited by written ballot in accordance with section 3.14.

3.12. Revocation of Proxies. Any proxy issued hereunder shall be revocable by the Member executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the Secretary of a written notice of revocation; or (ii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. A proxy shall be deemed revoked when the Secretary receives actual notice of the death or judicially declared incompetence of the issuing Member, or upon termination of such Member's status as an Owner as provided in section 2.01.

3.13. Restriction or Elimination of Proxy Rights. No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a majority of the Voting Power of the Members represented and voting at a duly held meeting at which a quorum is present, or by the affirmative vote of a majority of the Voting Power

of Members by written ballot as provided in section 3.14.

3.14. Action by Written Ballot Without a Meeting. A "written ballot" is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and that complies with the requirements of this section. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting. See section 3.04.

(a) Written Ballots Generally. Any matter or issue requiring the vote of the Members may be submitted for vote by written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written ballot set forth in this section are met. The determination to seek Member approval for corporate actions in this fashion shall be made by a majority vote of the Board. Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see section 4.20) and distribute a written ballot to every Member entitled to vote on the matter. This distribution shall be made consistent with the time requirements specified in subparagraph (c) below.

(b) Content of Written Ballots. Any written ballot distributed to the Members to vote on any issue shall state the time by which the ballot must be received in order to be counted (see subparagraph (c) below) and comply with the following:

(i) Director Elections. Written ballots used in any election of directors shall set forth the names of the candidates whose names have been placed in nomination at the time the ballot is issued. The ballot form shall also provide a space where the Member can designate a vote for another (write-in) candidate.

(ii) Other Matters. Any written ballot distributed to the Members to vote on any issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

(iii) 100 or More Members. If the corporation has 100 or more members, any written ballot distributed to ten (10) or more Members shall provide that, subject to reasonable specified conditions, if the person solicited specifies a choice in any such matter, the vote shall be cast according to that specification.

(c) Balloting Time Requirements. Written ballots shall be distributed and returned subject to the time requirements set forth below:

(i) Director Elections. The balloting in director elections may be scheduled to culminate on the date of the annual membership meeting in the case of any vacancy created by the normal expiration of a director's term of office. In the case of a special election called to fill a vacancy caused by the removal of a director, the balloting may be scheduled to culminate on the date established for a special meeting called for the purpose of providing prospective candidates an opportunity to present their qualifications and platform to the members.

(A) In the case of written ballots used in the election of directors, the ballots shall be mailed to all Members who are eligible to vote not more than 60 days prior to the date set for the election, but no less than 14 days prior to such date. If the Member elects to return his or her written ballot by mail or personal delivery to the address set forth in the solicitation materials for return of the ballots prior to a meeting at which the director election results will be announced, the written ballot must be received no later than the close of business one business day prior to the scheduled meeting date. If authorized in the solicitation materials, if the Member elects to return his or her written ballot in person at the meeting, and has not returned the ballot by mail, it will be necessary for the Member to register during the registration period and receive a different form of ballot. The ballot must be inserted in the ballot box prior to conclusion of the time scheduled on the meeting agenda for receipt of ballots and conclusion of the election process at the meeting.

(ii) Other Matters. In the case of any other matter or issue submitted to the Members for approval by written ballot, the Board shall distribute the written ballot to every Member entitled to vote on the matter at least 15 days prior to the final date the written ballots are to be received to be counted.

(iii) Extension of the Balloting Period. The time fixed for the return of written ballots may be extended only if the Board so notifies the Members in the balloting materials originally sent to Members and then for not more than two successive periods of 10 days each, and only when the required quorum has not been met. Notwithstanding the foregoing, if a meeting that is scheduled to coincide with culmination of a director election is adjourned without concluding the election process, the time fixed for the return of written ballots in the director election shall be extended to the date the adjourned meeting is reconvened. If the period for the return of written ballots is extended under this subparagraph, the Board may announce to the Members the aggregate votes for or against the proposal received as of the extension date.

(d) Requirements for Valid Member Action by Written Ballot. Membership approval by written ballot shall be valid only if (i) the number of

votes cast by ballot within the time established for return of the ballots equals or exceeds the quorum (as specified in section 4.11) that would have been required to be present at a membership meeting if such a meeting had been convened to vote on the proposal; and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting. In any election of directors, a written ballot that a member marks “withhold,” or otherwise marks in a manner indicating that authority to vote is withheld, shall not be voted either for or against the election of a director.

(e) Solicitation Rules. Written ballots shall be solicited in a manner consistent with the requirements of sections 4.04-4.08, pertaining to issuance of notices of Members' meetings. The ballot and any related material may be sent by Electronic Transmission by the Corporation, and responses may be returned to the corporation by electronic transmission that meets the requirement of section 1.11. All solicitations of written ballots shall indicate (i) the number of responses needed to meet the quorum requirement for valid action, (ii) the time by which the written ballot must be received by the corporation in order to be counted, (iii) any extension of time under section 3.14(c)(iii) above, and (iv) in the case of any written ballot distributed to vote on matters other than the election of directors, the percentage of affirmative votes necessary to approve the measure submitted for membership approval.

(i) Director Elections. In addition to the requirements of subparagraph (e), above, solicitation materials accompanying written ballots distributed in director elections shall advise the Members that their ballots may be returned by mail or personal delivery to the corporation's principal office, or if a third party is selected to supervise the election and balloting process pursuant to section 3.16, below, then to the third party at their office address. If a membership meeting is scheduled and a Member attends a membership meeting in person and has not returned the ballot by mail, the ballot must be received prior to the time scheduled for return of ballot and conclusion of the election process at the meeting. The solicitation materials shall also set forth the address where written ballots can be returned by mail or personal delivery in advance of the meeting at which the election will be held. If a meeting which is scheduled to coincide with the culmination of director elections is adjourned without concluding the election process, the time fixed for the return of written ballots in the director election shall be extended to the date the adjourned meeting is reconvened.

(f) Notification of Written Balloting Results. Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within 30 days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter

is insufficient to satisfy the minimum quorum requirements, the Board shall so notify the Members.

(g) Prohibition of Revocation of Written Ballots. Once exercised, a written ballot may not be revoked.

(h) Informational Meetings. Use of the written ballot procedures provided herein shall not preclude the corporation from also conducting informational meetings of the Members or from scheduling a meeting to coincide with the culmination of the balloting period.

(i) Ballot Filing and Retention. All written ballots shall be filed with the Secretary and maintained by the corporation for at least two (2) years.

3.15. Action by Unanimous Written Consent. Any action required or permitted to be taken by the Members at a meeting may be taken without a meeting (and without complying with the formalities of a written ballot) if all Members shall individually or collectively consent in writing to the action. When an action is taken by written consent, the consent(s) shall be filed with the corporation's minutes.

3.16. Supervision of Elections - Inspectors. In order to insure fairness in the conduct of elections, Board may ~~but~~ is not required to ~~utilize~~ the services of the corporation's legal counsel, or a certified public accountant to receive and tabulate all ballots. Legal counsel or an accountant retained to preform such services shall have the full powers of an inspector appointed by the Board under Corporations Code §7614. In addition to the above, in advance of any meeting of members or in the case of any action by written ballot, the Board may appoint inspector(s) of election to act at the meeting ~~including~~ any adjournment thereof ~~or~~ in conjunction with a written ballot. In the event the Board fails to act, or if any person(s) so appointed failed to appear or refuse to act, the chair of any meeting of members may, and on the request of any member present in person or by proxy shall, appoint inspector(s) of election. The number of inspectors shall be either one or three. If requested at meeting by a member present in person or by proxy, the majority vote of the members present in person or by proxy shall determine the number of inspectors to be appointed by the chair. The inspector(s) shall determine the number of memberships entitled to vote; the existence of a quorum; all questions regarding proxies; receive and tabulate all votes, ballots or consents; determine the result; hear and determine all challenges and questions in any way arising in connection with the right vote; and do such other and further acts as may be proper to conduct the election or vote with fairness to all Members. The inspector(s) shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as practical. In the event there are three inspectors, the majority vote of the

inspectors shall be effective in all respects as the decision, act, or certificate of all.

3.17. Additional Procedures. The Board, in its discretion, shall be entitled to adopt such additional reasonable procedures as it deems necessary or appropriate to assure fairness in the balloting process, such as requiring those Members who attend the meeting and desire to vote in person to surrender the written ballot form the Member received in the mail for a written ballot form containing the same information as the mailed ballot, but colored or formatted differently (in order to preclude duplicate voting).

ARTICLE 4 MEMBERSHIP MEETINGS

4.01. Place of Meeting. Meetings of the Members shall be held at the offices of the corporation, or at such other reasonable place within the State and at such time as may be designated by the Board in the notice of the meeting.

4.02. Authority for Electronic Meetings. If authorized by the Board in its sole discretion, and subject to the requirements of consent in Corporations Code §20(b) and guidelines and procedures the Board may adopt, members not physically present in person, or by proxy, at a meeting of members may, by Electronic Transmission By and To The Corporation or by electronic video screen communication, participate in a meeting of members, be deemed present in person or, by proxy, and vote at a meeting of members whether that meeting is to be held at a designated place or in whole or in part by means of Electronic Transmission By and To The Corporation or by electronic video screen communication, subject to the requirements of these bylaws.

4.03. Requirements for Electronic Meetings. A meeting of the Members may be conducted, in whole or in part, by Electronic Transmission By and To The Corporation or by electronic video screen communication (i) if the corporation implements reasonable measures to provide members in person, or by proxy a reasonable opportunity to participate in the meeting and to vote on matters submitted to the members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with those proceedings, and (ii) if any member votes or takes other action at the meeting by means of Electronic Transmission To The Corporation or electronic video screen communication, a record of that vote or action is maintained by the corporation. Any request by a corporation to a member pursuant to Corporations Code §20(b) for consent to conduct a meeting of members by Electronic Transmission By and To The Corporation shall include a notice that absent consent of the member

pursuant to Corporations Code §20(b), the meeting shall be held at a physical location in accordance with section 4.01 of these bylaws.

4.04. Annual Meeting. The annual meeting of the Members shall be held on the last Saturday in March of each year at 10:00 a.m. at the offices of the corporation, unless the Board fixes another date or time and so notifies the members as provided in section 4.06 of these Bylaws. If the date for the annual meeting falls on a legal holiday, the annual meeting shall be held at the same hour and location on the next Saturday following the regular annual meeting date.

4.05. Special Meetings. A majority of the Board, the President or five percent (5%) or more of the Members entitled to vote may call special meetings of the Members at any time to consider any lawful business of the corporation.

(a) If a special meeting is called by Members other than the Board of Directors or President, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, any Vice President, or the secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of this section, 4.06, that a meeting will be held, and the date, time, and purpose for such meeting, which date shall be not less than 35 nor more than 90 days following the receipt of the request. If notice of the meeting is not given within 20 days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the President.

4.06. Notice of Members' Meetings. Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with sections 4.17– 4.22.

4.07. Time Requirements for Notice. The notice of membership meetings shall be given in the manner specified in section 4.09, not less than 10 nor more than 90 days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered, or certified mail, the notice shall be given not less than 20 days (nor more than 90 days) before the meeting.

4.08. Minimum Requirements Regarding Content of Notice. The notice

of any membership meeting shall specify the place, date, and hour of the meeting, and the means of electronic transmission by and to the corporation or electronic video screen communication, if any, by which members may participate in the meeting. In the case of a special meeting, the notice shall also state the general nature of the business to be transacted, and no other business may in that case be transacted at the special meeting. In the case of a regular meeting, including the annual meeting, the notice shall also describe those matters that the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

(a) Required Notice Content. If any action is proposed to be taken at any membership meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s): (i) Removing a director without cause; (ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to section 6.14 of these Bylaws; (iii) Amending the Articles of Incorporation of this corporation, or these Bylaws in any manner requiring approval by the Members; (iv) Approving a contract or transaction between the corporation and one or more of its directors, or between the corporation and any corporation, firm, or association in which one or more of its directors has a material financial interest; (v) Approving any change in the corporation's assessments in a manner requiring membership approval under the Bylaws or state law; or (vi) Voting upon any election to voluntarily terminate and dissolve the corporation.

4.09. Manner of Service of Notice. Notice of any meeting of Members shall be given either personally or by first-class mail, telegraphic, Electronic Transmission By The Corporation, or other written communication, charges prepaid, in accordance with Article 13.

4.10. Declaration of Giving Notice. An declaration of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary or assistant secretary of the corporation or designee, and if so executed, shall be filed and maintained in the minutes book of the corporation. Such declaration shall constitute prima facie evidence of the giving of notice.

4.11. Quorum. In the case of a membership meeting or written ballot, thirty-three percent (33%) of the Voting Power shall constitute a quorum for the transaction of business.

(a) If the minimum quorum percentage specified in this section, 4.11, is not satisfied, the meeting may be adjourned to another time and/or place not more than 45 days after the initial meeting date (see section 4.14, below).

4.12. Members Present by Proxy. Members present at a membership meeting in person or by proxy shall be counted toward satisfaction of the quorum requirements specified herein, regardless of whether the Member has indicated a particular voting preference on any matter described in the proxy.

4.13. Effect of Departure of Members From Meeting. The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present in person or by proxy may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

4.14. Adjourned Meeting. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another place and/or time (but not for more than 45 days) by the vote of the majority of Members present at the meeting either in person or by proxy. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action that might have been transacted at the original meeting.

(a) When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date (see sections 4.17– 4.22), is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

4.15. Waiver of Notice or Consent by Absent Members. If decisions are made or an action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting in person or by proxy consents to the meeting by signing (i) a written waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the minutes. The waiver of notice or consent need not specify the

purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in section 4.05(a), in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents, or approvals shall be filed with the corporate records or be made part of the minutes of the meeting.

4.16. Effect of a Member's Attendance. Attendance by a Member, or his or her proxy holder, at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business because of the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting that are required to be described therein pursuant to section 4.05(a), if that objection is expressly made at the meeting.

4.17. Record Dates Established by the Board. For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the corporation after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law.

4.18. Record Date for Notice of Meetings. In the case of determining those Members entitled to notice of a meeting, the record date shall be no more than 90 nor less than 10 days before the date of the meeting.

4.19. Record Date for Voting. In the case of determining those Members entitled to vote at a meeting, the record date shall be no more than 60 days before the date of the meeting.

4.20. Record Date for Action by Written Ballot Without Meeting. In the case of determining Members entitled to cast written ballots, the record date shall be no more than 60 days before the day on which the first written ballot is mailed or solicited.

4.21. Record Date for Other Lawful Action. In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than 60 days prior to the date of such other action.

4.22. Failure of Board to Fix a Record Date. If the Board, for any reason, fails to establish a record date, the following rules shall apply:

(a) Record Date for Notice of Meetings. The record date for determining those Members entitled to receive notice of a meeting of Members shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(b) Record Date for Voting. The record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.

(c) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed corporate actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

(d) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be Members at the close of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

(e) Section Definition for "Record Date". For purposes of this section 4.22, a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

ARTICLE 5 MEMBERSHIP RIGHTS AND OBLIGATIONS

5.01. Generally. Subject to the provisions hereof, and the California Nonprofit Mutual Benefit Corporation Law, the Members shall have the rights and obligations set forth in this Article.

5.02. Members Rights. Members shall have the right to vote, as set forth in these Bylaws, on the election of directors - only as more specifically provided for herein, on the disposition of all or substantially all of the assets of the corporation, on any merger and its principal terms and any amendment of those terms, on annexation, and on any election to dissolve the corporation. In

addition, Members shall have all rights afforded members under the California Nonprofit Mutual Benefit Corporation Law. If the corporation is dissolved, members shall receive a pro rata distribution of all assets, exclusive of those held in charitable trust, remaining after payment or provision for payment of the obligations and debts of the corporation and provision for any other payment required under applicable law.

5.03. Tenants and Lessees. Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing within the Member's lot. Said assignment shall not be effective until such time as the Owner-Member has given the Secretary written notice thereof setting forth the name of the assignee. Such assignment shall be effective only so long as said tenant is residing on said lot and is in compliance with the Governing Documents. At all times the Owner shall remain responsible for compliance by Owner's lessee or tenant with the provisions of the Governing Documents.

5.04. Persons Subject to Governing Documents. All present and future Owners, tenants and occupants of real property within the Service Area shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time, unless a particular provision is specifically restricted in its application to one or more of such classes of persons (i.e., Owners, tenants, invitees, etc.). The acceptance of a deed to real property in the Service Area, the entering into a lease, sublease or contract of sale with respect to any real property in the Service Area, or the occupancy of real property in the Service Area shall constitute the consent and agreement of such Owner, tenant or occupant that each and all of the provisions of the Governing Documents, as the same or any of them may be amended from time to time, shall be binding upon said person and that said person will observe and comply with the Governing Documents.

5.05. Duty to Notify Corporation of Tenants and Contract Purchasers. Each Owner shall notify the secretary of the corporation of the names of any contract purchaser or tenant of the Owner's property. Each Owner, contract purchaser, or tenant shall also notify the secretary of the corporation of the names of all persons to whom such Owner, contract purchaser or tenant has delegated any rights to use and enjoy water and the relationship that each such person bears to the Owner, contract purchaser, or tenant.

5.06. Contract Purchasers. A contract seller of real property in the Service Area must delegate his or her voting rights as a Member of the corporation and seller's right to use and enjoy water provided by the corporation to any contract purchaser in possession of the property subject to the contract of sale. Notwithstanding the foregoing, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title

to the property sold has been transferred to the purchaser.

5.07. Notification of Sale of Real Property. Concurrently with the close of escrow for the sale of real property within the Service Area and under circumstances where the transferee becomes the new Owner thereof, or within 10 calendar days thereafter, the transferee shall notify the corporation in writing of such purchase. Such notification shall set forth the name of the transferor, the name of the transferee, the street address of the property purchased by the transferee, the transferee's mailing address if the same be different from the property address, and the date at close of such purchase and sale. Prior to the receipt of such notification, any and all communications required or permitted to be given by the Board of Directors, or any agent or representative thereof shall be deemed to be duly made and given to the transferee, if duly and timely made and given to the transferee's transferor.

5.08. Payment of Assessments and Compliance With Rules. Each Owner shall pay when due each charge, fee, Assessment and Special Individual Assessment levied against the Owner and his or his membership interest and shall observe, comply with and abide by any and all rules and regulations set forth in, or promulgated by the corporation pursuant to, any Governing Document.

5.09. Discharge of Assessment Liens. Each Owner shall promptly discharge any assessment lien that may hereafter become a charge against his or her membership interest.

5.10. Joint Ownership of Real Property. In the event of joint ownership of real property in the Service Area, the obligations and liabilities of the multiple Owners under the Governing Documents shall be joint and several. Without limiting the foregoing, this section shall apply to all obligations, duties and responsibilities of Owners as set forth in the Governing Documents, including, without limitation, the payment of all Assessments, charges and fees.

5.11. Prohibition on Avoidance of Obligations. No Owner, by non-use of the water, abandonment of the Owner's property or otherwise, may avoid the burdens and obligations imposed on such Owner by the Governing Documents, including, without limitation, the payment of Assessments levied against the Owner and his or her membership interest pursuant to the Governing Documents.

5.12. Termination of Obligations. Upon the conveyance, sale, assignment or other transfer of real property to a new Owner, the transferor-Owner shall not be liable for any Assessments or charges levied with respect to such real property which become due after the date of recording of

the deed evidencing said transfer and, upon such recording, all corporate membership rights possessed by the transferor by virtue of the ownership of said real property shall cease.

5.13. Obligation To Permit Limited Right of Entry by Corporation. Each Owner shall also honor the right of the corporation and its agents to enter any Lot, when necessary, to perform the corporation's obligations under the Governing Documents, state law, or local ordinance, including (i) maintenance or repair obligations; or (ii) to make necessary repairs that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with water delivery, corporate property, or the Members in common.

(a) The corporation's rights of entry under this section shall be immediate in case of an emergency originating in or threatening the Lot where entry is required, or any adjoining Lots, and the corporation's work may be performed under such circumstances whether or not the Owner or his or her lessee is present. In all non-emergency situations, the corporation or its agents shall furnish the Owner or his or her lessee with at least 24 hours' written notice of its intent to enter the Lot, specifying the purpose and scheduled time of such entry and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing within the Residence located on the Lot. For purposes of this section, the required notice may be posted or left on the property.

(b) In no event shall the corporation's right of entry, as conferred in this section, be construed to permit the corporation or its agents to enter any residence without the Owner's prior permission.

5.14. No Automatic Right of Connection. No Owner, merely as a result of being a Member in the corporation, shall be entitled to connect to the distribution system, or take water therefrom, except with the consent of, and subject to the rules and regulations promulgated by, the Board. The corporation reserves all rights, and shall have full control over all storage and distribution of water in the system, until it is actually released or delivered to the Members. Except as otherwise may be decided by the Board of Directors, all costs to connect to the distribution system - including but not limited to - permits, pipes, valves, construction, obtaining easement rights, and water testing, shall be born by the Owner.

5.15. Lease Agreements Subject to Governing Documents. Any rental or lease of a real property in the Service Area shall be subject to the provisions of the Governing Documents, all of which shall be deemed incorporated by reference in the lease or rental agreement. Each Owner-lessor shall provide any

tenant or lessee with a current copy of all Governing Documents and shall be responsible for compliance by the tenant or lessee with all of the provisions of the Governing Documents during the tenant's/lessee's occupancy and use of the property.

5.16. Corporation's Rights for Tenant's Breach. Subject to sections 16.08 and 16.09, in the event that any tenant or lessee fails to honor the provisions of any Governing Document, the corporation shall be entitled to take such corrective action as it deems necessary or appropriate under the circumstances, which may include, but is not limited to, suspension or termination of the tenant's water, and/or the imposition of fines and penalties against the Owner or tenant.

5.17. Discipline of Lessees. Whether or not such right is stated in any rental agreement, every Owner who rents real property in the Service Area automatically grants to the corporation the right to determine a tenant's default under the Governing Documents and of suspending or terminating water delivery for such default. If the Board takes such action, the Owner shall be responsible for all costs thereof, including reasonable attorney's fees, and shall reimburse the corporation upon demand for the entire amount of such costs. If the Owner refused to make such reimbursement, the sums shall constitute a Special Individual Assessment (section 5.18) for which a lien may be imposed against the Owner's membership interest.

5.18. Fines and Penalties - Special Individual Assessment. Any fine or penalty levied for a violation of the Governing Documents shall be considered a Special Individual Assessment. If a Special Individual Assessment is imposed as a result of the conduct of a renter or lessee, the renter or lessee agrees to be personally obligated for the payment of such assessments. This provision, however, shall not be construed to release the Owner from any obligation, including the obligation to pay any duly imposed Special Individual Assessments in the event the tenant fails to pay the Assessment prior to the delinquency date, or for which such Owner would otherwise be responsible. Any tenant charged with a violation of the Governing Documents is entitled to the same notice and hearing rights to which the Owner is entitled as provided in sections 16.08 and 16.09. Any Owner who shall lease or rent his or her lot shall be responsible for assuring compliance by the tenant with the Governing Documents.

5.19. Security Deposit. Through its rule-making power, exercised in accordance with section 8.05 hereof, the Board of Directors is hereby authorized and empowered to establish and implement a corporation security deposit procedure to aid in the collection of charges, fees and assessments and to protect the corporation, water facilities, pipes and equipment from

negligence, damage and/or destruction caused by the any Owner, tenant, and their families and guests. Said security deposit, if required, shall be payable by the Owner and shall be fixed in an amount not to exceed an amount equal the one year's total charges for delivery of water and shall be held by the corporation in a separate security deposit fund in the name of the corporation.

(a) In the case of a tenant, within three weeks following receipt of notice from the Owner-lessor that the property is no longer being leased or rented, the corporation shall furnish the Owner with an itemized statement indicating the basis for, and the amount of, any security received, the disposition of the security, and shall return the remaining portion of the security, if any, to the Owner, without interest.

5.20. Recoverable Costs and Expenses. In the event of (i) damage to, or destruction of, corporate property by a tenant, lessee, or Owner; (ii) the imposition of a fine or penalty against an Owner-lessor as a result of any act or omission of the Owner's tenant or lessee; or (iii) any other circumstance in which collection against an Owner or tenant is required: The corporation shall be entitled to apply the security deposit to the costs and expenses. The Owner shall thereupon immediately reimburse the security deposit fund in an amount equal to the sums thus applied. As a condition to the corporation's right to apply security deposit funds in the manner provided above, the corporation must give the Owner the notice and hearing rights specified in sections 16.08– 16.09.

ARTICLE 6 BOARD OF DIRECTORS

6.01. General Corporate Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, and any limitations in the articles of incorporation or these bylaws, relating to action required to be approved by the Members, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors. Subject to the limitations expressed in section 9.01, the Board may delegate the management of the activities of the corporation to any person or persons, management company, or committee, provided that notwithstanding any such delegation the activities and affairs of the corporation shall continue to be managed and all corporate powers shall continue to be exercised under the ultimate direction of the Board.

6.02. Standard of Care. Each director shall exercise such powers and otherwise perform such duties in good faith, in the manner such director believes to be in the best interests of the corporation, and with such care,

including reasonable inquiry, using ordinary prudence, as a person in a like position would use under similar circumstances.

(a) In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by:

(i) One or more officers or employees of the corporation whom the directors believe to be reliable and competent in the matters presented;

(ii) Counsel, independent accountants or other persons as to matters which the director believes to be within such persons professional or expert competence; or

(iii) A committee of the board upon which the director does not serve, as to the matters within its designated authority, which committee the director believes to merit confidences long as in any such case, the director acts in good faith, after reasonable inquiry when the need therefore is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

6.03. Number and Qualification of Directors. The Board of Directors shall consist of seven (7) persons who shall be Members and whose memberships are in good standing with all assessments, charges and fees current and are not subject to any suspension of membership rights. In the case of multiple Owners of a single piece of real property in the Service Area, or in the case of an Owner or owners having title to multiple pieces of real property in the Service Area, only one Owner of real property in the Service Area shall be eligible to serve on the Board at any one time.

6.04. Term of Office. With the exception of the initial Board of Directors, each director shall serve a three (3) year term. The directors shall be elected by the members on a staggered basis. Each director, including a director elected to fill a vacancy pursuant to Section 6.09, shall hold office until the expiration of the term for which elected and until a successor is elected and has qualified. The term of office shall begin immediately after election. There shall be no limitation on the number of consecutive terms to which a director may be reelected.

(a) Initial Board of Directors. Unless removed pursuant to these Bylaws, three (3) of the initial directors on the Board of Directors, following adoption of the Bylaws, shall serve until the next annual meeting of the members. Two (2) of the remaining four (4) directors shall serve for a two (2)

year term. The remaining two (2) directors shall serve for a full three (3) year term.

6.05. Nomination of Directors. Individuals can become candidates for election to the Board of Directors in any of the following ways:

(a) Nomination Committee. At least 90 days prior to the date of any election of directors, the President shall appoint a nominating committee to select qualified candidates for election to those positions on the Board of Directors held by directors whose terms of office are then expiring. The nominating committee shall consist of a chairperson who shall be a Member of the Board of Directors, and two (2) or more Members of the corporation who may or may not be Board members. The nominating committee shall make its report at least 60 days before the date of the election, and the Secretary shall forward to each Member, with the notice of meeting required by section 4.06, a list of the nominees. The nominating committee shall make as many nominations for election to the Board as it shall, in its discretion, determine but not less than the number of vacancies on the Board to be filled.

(b) Nominations From the Floor. When a meeting is held for the election of directors, any Member present in person or by proxy at a meeting to elect directors may place names in nomination. Nothing in this section shall abrogate the right to have directors elected by written ballot.

(c) Petition Procedure. A Member can become a candidate for election to the Board by filing with the Secretary a petition in support of his or her candidacy signed by at least five percent (5%) of the Voting Power of the corporation who are, themselves, in good standing with all assessments, charges and fees paid. The Member circulating the petition shall append his or her written certification to the petition attesting to the validity of the signatures. Candidate petitions must be filed with the Secretary no later than 30 calendar days and no earlier than 50 calendar days prior to the annual election.

(d) Nominees Right to Solicit Votes. The Board shall formulate procedures that allow a reasonable opportunity for a nominee to communicate to Members the nominee's qualifications and the reasons for the nominee's candidacy, a reasonable opportunity for the nominee to solicit votes, and a reasonable opportunity for members to chose among the nominees.

6.06. Good Standing Requirement for Candidacy. To be eligible for nomination and election to the Board, a candidate-Member must be certified by the Secretary that he or she is in good standing with the corporation and is current in the payment of assessments, charges, and fees both at the time his or her name is placed in nomination and as of the election date.

6.07. Election of Directors. At each annual meeting of the Members, the Members entitled to vote and present in person or by proxy shall elect persons to those positions on the Board of Directors held by directors whose terms are then expiring. Directors may also be elected at the time of the annual meeting by the use of written balloting procedures as provided in section 3.14. The persons thus elected shall be selected from among those persons nominated pursuant to section 6.05; however, if for any reason an annual meeting is not held or the directors are not elected at any annual meeting, the directors may be elected at any special meeting of the Members held for that purpose.

6.08. Determination of Election Results and Succession to Office. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected as directors and shall take office immediately following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by lot.

6.09. Vacancies Generally. A vacancy or vacancies on the Board of Directors shall occur in the event of (i) the resignation, death, or removal of any director under sections 6.10– 6.13 below; (ii) an increase in the authorized number of directors; or (iii) a failure of the members, at any meeting of members at which ~~or~~ by written ballot in which ~~any~~ director or directors are to be elected, to elect the number of directors required to be elected.

6.10. Resignation of Directors. Except as provided in this section, any director may resign, and such resignation shall be effective on giving written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective. Except on notice to the California Attorney General, no director may resign if the corporation would be left without a duly elected director or directors.

6.11. Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) failed to attend three (3) consecutive regular Board meetings; or (iv) has been found by a final order or judgment of any court to have breached any duty under Corporations Code §§2233– 2238 (relating to the standards of conduct of directors).

6.12. Authority of Members to Remove Directors. Except as otherwise provided in section 6.11 and 6.13, a director may be removed from office prior to expiration of his or her term only by the affirmative vote of a majority of the

Voting Power of the membership. Any membership action to recall or remove a director shall be conducted in accordance with the following procedures:

(a) A petition must be presented in person to the President, Vice President, or Secretary of the corporation and must carry the signatures of Members in good standing who represent at least five percent (5%) of the Voting Power of the membership. Such petition must set forth the reason(s) the petitioners are seeking the director's removal; the signature and property address(es) of each petitioner in his or her own handwriting; the name(s) of the sponsor(s) of the petition; and must fulfill all other requirements of law.

(b) Within 20 days after receipt of such petition, the Board shall either call a special meeting or announce the procedures for conducting a written ballot of the Members to vote upon the requested recall. Such meeting or written ballot shall be conducted not less than 35 nor more than 90 days after the petition is presented. If the Board fails to set a date for, and give the Members notice of, such a meeting or written ballot within 20 days, the Members initiating the petition may call such meeting on their own initiative without Board approval or sanction.

(c) The director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing, or both. If the rebuttal is in writing, it shall be mailed by the corporation or otherwise provided to all Members, together with the recall ballot.

(d) If the quorum requirement for a valid membership action is not satisfied or if the recall vote results in a tie, the removal action will have failed.

6.13. Removal by Court Action. The County Superior Court may, in response to a suit filed by any director or the lesser of 20 Members or five percent (5%) of the Members, remove any director determined to be guilty of fraudulent or dishonest acts or gross abuse of authority or discretion with reference to the corporation. The corporation shall be made a party to any such action.

6.14. Filling of Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors, though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director, in which case the vacancy shall be filled by the affirmative vote of a majority of the Voting Power of the membership at a duly noticed meeting at which a quorum is present or by written ballot in accordance with section 3.14, with the result of the election being determined in the same manner as a regular election of directors pursuant to section 6.08. The Members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the

Directors.

6.15. Reduction in Number of Directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

ARTICLE 7 BOARD MEETINGS

7.01. Place of Meetings. Regular and special meetings of the Board of Directors may be held at any place within California that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the corporation. Notwithstanding the above provisions of this section, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting.

7.02. Meetings by Telecommunications Equipment. Members of the Board may participate in a meeting by telephone, electronic video screen, or electronic transmission by and to the corporation.

(a) Participation in a meeting through the use of conference telephone or electronic video screen communication constitutes presence in person at that meeting so long as all members participating in the meeting are able to hear one another.

(b) Participation in a meeting through the use of electronic Transmission by and to the Corporation, other than conference telephone and electronic video screen communication, constitutes presence in person at the meeting if both of the following apply:

(i) Each participating board member can communicate with all members concurrently; and

(ii) Each Board member is provided the means of participation in all matters before the Board, including, without limitation the capacity to propose or object to a specific action to be taken by the corporation. (§5211(a)(6).)

7.03. Organizational Meeting of Directors. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting

for the purposes of organization, appointment of officers, and the transaction of other business. Notice of this meeting shall not be required.

7.04. Other Regular Meetings. Other regular meetings of the Board shall be held without notice at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board members. If the date, time, or location for a particular regular meeting is changed for any reason, notice shall be provided to all directors in accordance with section 7.06.

7.05. Special Meetings of the Board. Special meetings of the Board of Directors may be called for any purpose at any time by the Chair of the Board, if any, the President or any two (2) Directors.

7.06. Notice of Special Meetings. Notice of the time and place of special meetings of the Board shall be given to each Director by one of the following methods: (i) by personal delivery of written or oral notice; (ii) by first-class mail, postage prepaid, addressed to the director at the address shown upon the records of the corporation, or if it is not so shown on such records or if not readily ascertainable, at the place in which the meetings of the directors are regularly held; (iii) by telephone including a voice messaging system or other system or technology designed to record and communicate messages; (iv) by Electronic Transmission by the Corporation. Notwithstanding the foregoing, notice of a meeting need not be given to any Director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in section 7.09.

(a) Time Requirements. Notices sent by first-class mail shall be deposited in a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or electronic transmission shall be delivered, telephoned, or sent at least 48 hours before the time set for the meeting.

(b) Notice Contents. The notice shall state the time of the meeting and the place, if the place is other than the corporation's principal office. The notice need not specify the purpose of the meeting.

7.07. Board Meeting Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than minutes of an executive session, shall be available to the Members within 30 days following the meeting. The minutes, proposed minutes, or summary of the minutes shall be distributed to any Member on request and on reimbursement of the corporation's costs of making that distribution.

7.08. Quorum Requirements. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in section 7.10. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the more stringent provisions of the California Nonprofit Mutual Benefit Corporation Law, including, without limitation those provisions relating to (i) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (ii) creation and appointment of committees of the Board, and (iii) indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, or by the Articles.

7.09. Waiver of Notice. Any action taken at any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (i) a quorum is present, and (ii) either before or after the meeting, each of the Directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the corporation's records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any Director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

7.10. Adjournment. A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the Directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

7.11. Action Without a Meeting - Unanimous Consent. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board. If prompt or immediate action of the Board is necessary and there is

insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board members regarding the proposed action in advance thereof, rather than relying on notification after the fact.

7.12. Compensation. Directors, Officers, and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE 8 DUTIES AND POWERS OF THE BOARD

8.01. Specific Powers Without Prejudice. The powers enumerated within this article are without prejudice to the general powers of the Board of Directors set forth in section 6.01.

8.02. Powers under Governing Documents. The Directors shall have the power to exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

8.03. Appointment and Removal of Officers. The Directors shall have the power to appoint and remove all Officers of the corporation, and other corporation employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation, and these Bylaws; and fix their compensation.

8.04. Employment of Outside Services. The Directors shall have the power to appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the corporation, and to fix their duties and to establish their compensation.

8.05. Establishment of Rules and Regulations. The Directors shall have the power to adopt and establish Rules and Regulations subject to the provisions of the Governing Documents and take such steps as it deems necessary for the enforcement of such Rules and Regulations, including the imposition of monetary penalties and/or the suspension of voting rights; provided notice and a hearing are provided as more particularly set forth in sections 16.08 and 16.09. Rules and Regulations adopted by the Board may contain reasonable variations and distinctions as between Owners and Tenants.

8.06. Enforcement of Governing Documents. The Directors shall have

the power to enforce all applicable provisions of the Governing Documents, as well as the control, management, and use of the water within the Service Area.

8.07. Contract for Insurance. The Directors shall have the power to contract for and pay premiums for fire, casualty, liability, and other insurance and bonds (including indemnity bonds) that may be required from time to time by the corporation.

8.08. Contract for Maintenance. The Directors shall have the power to contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor, and services that may be required from time to time in relation to the purposes for which this corporation was formed and is otherwise obligated to maintain. Such power shall also include the power to contract for and pay for construction or reconstruction of any portion or portions of corporate property that has been damaged or destroyed and that are to be rebuilt by the corporation.

8.09. Contracts for Sale of Water. Notwithstanding any provision in the Articles or Bylaws to the contrary, the Directors shall have the power to sell water to the state, or any department or agency thereof, or to any school district, or to any public agency, or, to any other mutual water company or, during any emergency resulting from fire or other disaster involving a danger to public health or safety, to any person at the same rates as to members of the corporation; and provided further, that the corporation may enter into a contract with a county fire protection district to furnish water to fire hydrants and for fire suppression or fire prevention purposes at a flat rate per hydrant or other connection.

8.10. Payment of Taxes on Corporate Property. The Directors shall have the power to pay all taxes, special assessments and other assessments, and charges that are or would become a lien on any property owned by the corporation.

8.11. Delegation of Powers. The Directors shall have the power to delegate its duties and powers hereunder to the Officers of the corporation or to committees established by the Board, subject to the limitations expressed in section 9.01.

8.12. Levying and Collecting of Assessments, Fees and Charges. The Directors shall have the power to levy and collect Assessments from the Members of the corporation. The Directors shall have the power to establish rates for the delivery of water and to decide what portion of corporate revenues will be raised by assessments and what portion shall be raised by water rates. The Directors shall also have the power to establish and collect reasonable use

charges for any or all of the corporate property as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof and to provide for a reasonable transfer fee for the transfer of membership certificates upon the book and records of the corporation. The Directors shall also have the power to provide for interest, not to exceed the legal rate, on any delinquent sums owed the corporation.

8.13. Imposition and Collection of Penalties. Subject to the provisions of sections 16.08 and 16.09, the Directors shall have the power to impose and enforce monetary penalties for violations of the Governing Documents. The amount of the penalty imposed shall be reasonable and in no event shall the amount exceed the sum of \$250 per occurrence.

8.14. Suspension or Termination of Water Delivery. The Directors shall have the power suspend water delivery for a violation of the Governing Documents; or for the failure to pay Assessments due the corporation; and to set the conditions upon which water delivery shall resume. In the event Assessments become delinquent, the Board shall also have the power to terminate water delivery.

8.15. Power of Sale. In the event of Assessments become delinquent, the Directors shall have the power to sell, or forfeit to the corporation, a Member's interest in the corporation which has been made appurtenant to land within the Service Area without those lands as if not appurtenant thereto. Any purchaser shall acquire the right to receive water and the Member's interest in the corporation, as provided in the Articles or Bylaws.

8.16. Location of Facilities and Equipment. The Directors shall have the power to provide for, and fix the location of, measuring devices, pipes, valves, hydrants, wells, storage facilities, connection points to the distribution system, or other equipment and facilities desirable to accomplish the purposes of this corporation.

8.17. Preparation and Keeping of Records. The Directors shall have the power to prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the corporation in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report.

8.18. Membership Certificates. The Directors shall have the power to provide for the format of, including the wording of any legend condition appearing on the certificate, and to issue membership certificates to Members of the corporation.

8.19. Appointment of a Nominating Committee. The Directors shall have the power to appoint a nominating committee for the nomination of persons to be elected to the Board and prescribe rules under which said nominating committee is to act, as described in section 9.02.

8.20. Appointment of Other Committees. The Directors shall have the power to appoint such other committees as it deems necessary from time to time in connection with the affairs of the corporation in accordance with article 9 of these Bylaws.

8.21. Bank Accounts. The Directors shall have the power to open bank accounts and borrow money on behalf of the corporation and designate the signatories to such bank accounts.

8.22. Legal and Disciplinary Action. The Directors shall have the power to bring and defend actions on behalf of the corporation to protect the interests of the corporation and assess the Members for the cost of such litigation. Any disciplinary action against a Member shall be subject to the hearing and procedural requirements set forth in section 16.08 and 16.09.

ARTICLE 9 COMMITTEES

9.01. Committees of the Board. In addition to the nominating committee appointed and constituted pursuant to section 6.05(a) of these Bylaws, Committees of the Board may be appointed by resolution passed by a majority of the entire Board. Committees of the Board shall be composed of two (2) or more members of the Board, and no one who is not a director, to serve at the pleasure of the Board. The Board may appoint one or more directors as alternate members to replace any absent member at any meeting of the committee. Such committees shall have such powers of the Board as may be expressly delegated to it by resolution of the Board of Directors, except that no committee, regardless of Board resolution, may:

(i) Take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members regardless of whether the corporation has members.

(ii) Fill vacancies on the Board of Directors or on any committee that has been delegated any authority of the Board.

(iii) Amend or repeal Bylaws or adopt new Bylaws.

(iv) Amend or repeal any resolution of the Board of

Directors that by its express terms is not so amendable or repealable.

(v) Appoint any other Committees of the Board of Directors or the members of those committees.

(vi) Expend corporate funds to support a nominee for Director after there are more people nominated for Director than can be elected.

(vii) Approve any contract or transaction to which the corporation is a party and in which one or more of its directors has a material financial interest, except as special approval is provided for in §5233(d)(3) as applicable to Nonprofit Public Benefit Corporations.

(viii) With respect to any assets held in charitable trust, approve any contract or transaction between this corporation and one or more of its directors or between this corporation and an entity in which one or more of its directors have a material financial interest, subject to the approval provisions of Corporations Code §5233(d)(3).

9.02. Meetings and Action by Board Committees. Meetings and actions of Committees of the Board shall be governed by, held, and taken in accordance with the provisions of the Bylaws concerning meetings and other Board actions, except that the time of regular meetings of such Committees and the calling of special meetings of such Committees may be determined either by Board resolution or, if there is none, by resolution of the Committee of the Board. Minutes of each meeting of any Committee of the Board shall be kept and shall be filed with the corporate records. The Board may adopt rules for the government of any committee, provided they are consistent with the Bylaws or, in the absence of rules adopted by the Board, the Committee may adopt such rules.

9.03. Advisory Committees. The Board of Directors from time to time may elect one or more persons to serve on Advisory Committees. Persons so elected shall be known as Advisory Directors, but shall not by such appointment be members of the Board of Directors. Advisory Committees shall be made available from time to time to perform special assignments specified by the Board, to attend meetings of the Board of Directors, upon invitation, and to furnish consultation to the Board. The period during which the appointment shall be held may be prescribed by the Board of Directors. If no period is prescribed, the title shall be held at the pleasure of the Board.

ARTICLE 10 OFFICERS

10.01. Officers. The Officers of the corporation shall be a President, a Vice President, a Secretary and a Chief Financial Officer. The corporation may also have, at the discretion of the Board, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of section 10.03. One person may hold two or more offices, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as President.

10.02. Appointment of Officers. The Officers of the corporation, except such officers as may be appointed in accordance with the provisions of sections 10.03 and 10.06, shall be chosen annually by majority vote of the Board at its first regular meeting following the annual meeting of the Members or the election of Directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be appointed and qualified.

10.03. Subordinate Officers. The Board may appoint, and may empower the President to appoint, such other Officers as the affairs of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

10.04. Removal of Officers. Any Officer may be removed by the Board with or without cause, at any regular or special meeting.

10.05. Resignation of Officers. Any Officer may resign at any time by giving written notice to the Board, or to the President, or to the Secretary. Any such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the Officer is a party.

10.06. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

10.07. Chair of the Board. The Chair of the Board, if there shall be such an officer, shall be appointed by the Board of Directors. The Chair of the Board, if present, shall preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time as

assigned by the Board of Directors or prescribed by the Bylaws. If there is no President, the Chair of the Board shall also be the President of the corporation.

10.08. President. The President shall be appointed by the Board of Directors. He or she shall be the Chief Executive Officer of the corporation and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and Officers of the corporation. If there is no Chair of the Board, the President shall preside at all meetings of the Board. The President shall have the general power and duties of management usually vested in the office of President of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

10.09. Vice President. The Vice President shall be appointed by the Board of Directors. In the absence or disability of the President, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

10.10. Secretary. The Secretary shall be appointed by the Board of Directors. The Secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of Directors and Members, with the time and place of holding of same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, appropriate current records showing the Members of the corporation, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law, and he or she shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

10.11. Chief Financial Officer. The Chief Financial Officer shall be appointed by the Board of Directors. The Chief Financial Officer, who may also be known as the Treasurer, shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books and records shall at all reasonable times be open to inspection by any Director or Member. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board. He or she shall disburse the funds of the corporation as may be ordered

by the Board, shall render to the President and Directors, whenever they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the Treasurer shall give the corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the corporation of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

ARTICLE 11 ANNUAL REPORTS AND DISCLOSURES

11.01. Financial Statements Generally. The following financial statements and related information for the corporation shall be regularly prepared and copies thereof shall be distributed to each Member, as hereinafter provided.

11.02. Annual Report. Unless waived by section 11.04, the corporation shall cause an annual report to be prepared no later than 120 days after the close of the fiscal year or calendar year in accordance with the provisions of Corporations Code §8321(a). The report shall contain the following information, in appropriate detail, for the fiscal year: (i) A balance sheet as of the end of the year, an income statement and statement of cash flows for that fiscal year; (ii) A statement of the place where the name and address of current members are located; and (iii) Any information required by Corporations Code §8322. (See Section 11.03 below).

(a) The report shall be accompanied by any report thereon by independent accountants or, if there is no such report, by the certificate of the Chief Financial Officer or President of the corporation that such statements were prepared without audit from the books and records of the corporation.

(b) Except as provided in the section 11.04(a) below, this corporation shall annually notify each member of the member's right to receive a copy of the financial report under this section, and on written request by a member, the board shall promptly cause the most recent annual report to be sent to the requesting member. If the board approves, the corporation may send the report and any accompanying material sent pursuant to this section by electronic transmission.

11.03. Statement of Transactions and Indemnifications. As part of the

annual report to all members, or as a separate document if no annual report is issued, the corporation shall annually prepare and mail or deliver to each member and furnish to each director a statement of any transaction or indemnification of the following kind no later than one hundred and twenty (120) days after the close of the fiscal year:

(a) Unless approved by the members pursuant to Corporations Code §7233(a), any transaction (i) in which the corporation, its parent, or subsidiary was a party, (ii) in which an "interested person" had a direct or indirect material financial interest, and (iii) which involved more than \$50,000, or was one of a number of transactions with the same interested person involving, in the aggregate, more than \$50,000. For this purpose, an "interested person" is either of the following:

(i) Any director or officer of the Corporation, its parent, or subsidiary (but mere common directorship shall not be considered such an interest); or

(ii) Any holder of more than ten per cent (10%) of the Voting Power of the corporation, its parent or its subsidiary. The statement shall include a brief description of the transaction, the names of interested person involved, their relationship to the corporation, the nature of their interest in the transaction and, if practicable, the amount of that interest, provided that if the transaction was with partnership in which the interested person is a partner, only the interest of the partnership need be stated.

(b) Any indemnifications or advances aggregating more than \$10,000 paid during the fiscal year to any officer or director of the corporation under Sections 17.06 and 17.07 of these Bylaws, unless that indemnification has already been approved by the Members pursuant to Corporations Code §7235(a).

11.04. Waiver of Reports. Certain reports may be waived:

(a) Preparation of the report required by section 11.02 may be waived if the corporation receives less than \$10,000 in gross revenues or receipts during the fiscal year.

(b) If applicable and the transaction or indemnification has not been previously approved by the Members, the Statement of Transactions and Indemnifications, under section 11.03, may not be waived and shall be given annually to the members and directors.

11.05. Statement of Charges. Within ten (10) days following receipt of

a written request by a Member, the corporation shall provide the Member with a written statement setting forth the following information as of the date of the statement: (i) the amount of the corporation's current water rates, special individual assessments and fees, as well as any assessments levied upon the Member's property that are unpaid; (ii) true information on the amounts of any delinquent assessments, penalties, attorney fees, and other charges against the requesting Member's interest; and (iii) any changes in the corporation's assessments, rates and fees which have been approved by the corporation's Board of Directors, but have not become due and payable as of the date of the statement.

11.06. Disclosure of Schedule of Fines or Other Monetary Penalties. If the corporation adopts a schedule of fines for commonly recurring infractions of the Governing Documents or any other policy imposing a monetary penalty or a fee on any Member or lessee for violation of any Governing Document, the Board shall distribute the schedule or policy to the Members. This distribution obligation shall arise whenever such a schedule or policy is adopted or subsequently amended.

11.07. Avoidance of Duplication in Reporting Obligations. To the extent one document distributed to the Members provides the information required in more than one of the foregoing sections of this article and the time deadlines for proper distribution can otherwise be satisfied, any such requirements listed above may be satisfied by sending the Members the same document.

ARTICLE 12 CORPORATE RECORDS AND INSPECTION

12.01. Maintenance of Corporate Records. The corporation shall keep: (i) adequate and correct books and records of account; (ii) written minutes of the proceedings of its Members, Board, and Committees of the Board; and (iii) a record of each member's name, address, and class of membership. The minutes and other books and records shall be kept either in written form or in any other form capable of being converted into clearly legible tangible form or in any combination of the two.

12.02. Member Inspection Rights. Members' rights to inspect the Corporate Records shall be controlled by this section. The right of inspection includes the right to copy and make extracts. Any allowable inspection may be made by the member or by the member's agent or attorney. Nothing in this article shall be construed to obligate the corporation to make copies of requested documents, or to organize or compile specific information or categories of information, sought by a requesting Member when the corporation

has made the information available for inspection and copying by the Member or the Member's agent.

(a) Membership Records. A Member's right to membership records is subject to the corporation's right under subsection (a)(ii) below, and must be for a purpose reasonably related to the member's interest as a member.

(i) Member(s) may do either or both of the following:

(A) Upon five (5) business days prior written demand setting forth the purpose for which the inspection rights are requested, inspect and copy the records containing members' names, addresses, and voting rights; or

(B) Obtain from the secretary of the corporation, on written demand and tender of a reasonable charge, a list of names, addresses, and voting rights of those members entitled to vote for the election of directors, as of the most recent record date for which it has been compiled or as of a date specified by the member subsequent to the date of the demand. The demand shall state the purpose for which the list is requested. The membership list shall be made available on or before the later of ten (10) business days after the demand is received or after the date specified in the demand as the date as of which the list is to be compiled.

(ii) In accordance with Corporations Code §8330(c), the corporation may within ten (10) business days after receiving a demand under section 12.02(a)(i)(A) or (a)(i)(B) deliver to the person or persons making the demand a written offer of an alternative method of achieving the purpose identified in said demand without providing access to, or a copy of, the membership list. An alternative method which reasonably and in a timely manner accomplishes the proper purpose set forth in said demand, shall be deemed a reasonable alternative, unless within a reasonable time after acceptance of the offer, the corporation fails to do those things which it offered to do. Any rejection of the offer shall be in writing and shall indicate the reasons the alternative purposed by the corporation does not meet the proper purpose of the demand made pursuant to section 12.02(a)(i)(A) or (a)(i)(B).

(b) Accounting Records and Minutes. On written demand on the corporation setting forth a purpose reasonably related to such person's interests as a member, any member may inspect the accounting books and records and minutes of proceedings of the Members, Board, Committees of the Board at any reasonable time.

(c) Articles and Bylaws. This corporation shall keep at its

principal California office the original or a copy of the articles of incorporation and bylaws, as amended to the current date, that shall be open to inspection by the members at all reasonable times during office hours. Only if the corporation has no business office in California, the Secretary shall, on the written request of any member, furnish to that member a copy of the articles of incorporation and bylaws, as amended to the current date.

(d) Right to Deny Inspection. If the corporation reasonably believes that the information will be used for a purpose other than one reasonably related to a person's interest as a member, or if it provides a reasonable alternative as set forth in subsection (a)(ii) above, the corporation may deny the member access to the membership list.

(e) Unauthorized Use of Membership List. Membership records are a corporate asset. Without consent of the Board, membership records or any part of thereof may not be obtained or used by any person for any purpose not reasonably related to a member's interest as a member. Misuse of membership records may result in injunctive relief, damages, return of any profits made, punitive damages, costs and attorneys fees.

(f) Costs of Providing Copies. The right of inspection and the right of the Member to make copies of that information, does not require the corporation to pay the costs for providing the information. If copies are provided by the corporation, the corporation may bill the requesting Member for its actual and reasonable costs for copying requested documents, plus reasonable clerical costs incurred in locating and making the records available, plus actual postage charges; plus the actual cost, if any, charged by a third person for retrieval and return of records held off-site. Following presentation of an itemized statement of the costs incurred, the corporation has no duty to deliver the records unless and until the actual costs have been paid. Where the record is not kept in written form (e.g. digital tape, or CD-ROM), the corporation must put the information into written form at its own expense.

12.03. Director Inspection Rights. Every Director shall have an absolute right at any reasonable time to inspect and copy all books, records and documents of any kind, and to inspect the physical properties owned by the corporation. The right of inspection by a Director includes the right to make extracts and copies of documents. All directors should consider their fiduciary obligations to act in good faith and in a manner they believe to be in the best interests of the corporation in deciding how to use or disseminate information obtained through exercise of their inspection rights.

12.04. Adoption of Reasonable Inspection Rules. The Board of Directors may establish reasonable rules with respect to (i) notice of inspection, (ii) hours

and days of the week when inspection may be made, and (iii) payment of the cost of reproducing copies of documents requested by the Member.

ARTICLE 13 NOTICES

13.01. Notices and Documents. Any communication or notice of an kind permitted or required herein shall be in writing and may be served either personally or by first-class mail, telegraphic, or other Written communication.

13.02. Effective Date of Notice. Notice shall be deemed to have been given at the time when the notice is delivered personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the recipient.

13.03. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-owners of any lot, to any general partner of a partnership which is the Owner of Record of real property in the Service Area, or to any officer or agent for service of process of a corporation which is the Owner of Record of real property in the Service Area, shall be deemed delivered to all such co-owners, to such partnership, or to such corporation, as the case may be.

13.04. Deposit in United States Mails. Except as may otherwise be more specifically set forth herein, all notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and deposited in the United States mail in Shasta County, California, when addressed as follows:

(a) If to any Owner: To the street address of the real property owned by him or her, in whole or in part, or to the address last furnished by such owner to the Board of Directors. If no address appears on the corporation's books and no other address has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the corporation's principal office, or (ii) notice is published at least once in a newspaper of general circulation in the County.

(b) If to the corporation: To the address stated below (or to such other address as the corporation may from time to time designate in writing to the Owners):

Lassen Pines Mutual Water Co., Inc.
9367 Mountain Meadows Road
Shingletown, CA 96088

ARTICLE 14 AMENDMENTS

14.01. Amendment by Directors. Except as provided in this section, these Bylaws may be adopted, amended, or repealed by the vote of a majority of all Directors. The right of the Directors to change these Bylaws shall not apply to any amendment that:

- (a) Changes the number of Directors (Corporations Code §7151(b));
- (b) Changes any provision pertaining to Directors who hold office by designation (Corporations Code §7220(d));
- (c) Changes any provision pertaining to the filling of vacancies on the Board which must, by the terms of these Bylaws, be filled by the vote of the Members;
- (d) Changes the quorum requirements for membership meetings (Corporations Code §7512);
- (e) Change the Bylaws provisions governing the use of proxies (Corporations Code §7613);
- (f) Changes cumulative voting provisions;
- (g) Materially and adversely affects the rights of the Members as to voting, dissolution, redemption or transfer;
- (h) Increases or decreases the number of Members authorized in total, or for any class;
- (i) Effects an exchange, reclassification, or cancellation of all or part of the memberships; or

(j) Authorizes a new class of membership.

14.02. Amendment by Members. In addition to the authority of the Directors, as provided in section 14.01, above, these Bylaws may be adopted, amended, or repealed by the affirmative vote of a majority of All Members of the corporation at a duly held meeting at which a quorum is present or by written ballot conducted in accordance with section 3.14. If any provision of these Bylaws requires the vote of a larger proportion of the Members, such provisions may not be altered, amended, or repealed except by such greater vote.

14.03. Record of Amendment. The secretary of the corporation shall certify adoption of any duly approved amendment to the Bylaws and a copy of said certificate and the amendment shall be included in the corporate records.

ARTICLE 15 ANNEXATION

15.01. Scope of Article; Nature of Annexation. An annexation is defined, for purposes of this Article, as any addition of property to the Service Area included within the jurisdiction of this corporation. Once annexation occurs, the newly annexed territory and the Owners of property therein shall have the same rights, duties, and obligations as any other property included within the Service Area and the Owners of such properties. Any owner of real property which is within the immediate area of the Service Area, including the corporation if it owns any such property, can make a written request to the corporation Board of Directors that a proposed annexation be submitted to the Members for approval in accordance with section 15.02, below. Parcels proposed for annexation must be separate legal parcels and all governmental approvals required as a condition for annexation must be obtained by the owner of the annexable property at his or her sole cost and expense.

15.02. Application for Annexation. In order to initiate a membership vote on the proposed annexation, the owner of the annexable property shall present a written proposal for annexation to the corporation's Board of Directors which shall include at least the following:

(a) A copy of the Declaration of Annexation (section 15.05, below) which will be recorded with the County Recorder's Office upon approval of the proposed annexation by the Members;

(b) A detailed description of the owner's intentions with respect to the development, subdivision, and use of the annexable property, including any special development conditions imposed by the County in connection with

the approval of a Subdivision Map for the annexable property, or any proposal to create any local districts or county service areas which will have jurisdiction over the annexable property or any portion thereof;

(c) If any additional facilities or equipment are proposed within the annexable property, detailed financial budgets and projections disclosing the maintenance, repair, operations, and capital reserve obligations which are likely to be incurred by the corporation as a result of the annexation.

(d) If the proposed annexation will involve the formation of any associations with jurisdiction within the annexable property or the recordation of a supplemental declaration as provided in section 15.05, below, copies of all relevant documentation shall be furnished to the Board.

15.03. Board Approval. Upon receipt of a complete application for annexation, the Board shall have a period of 60 days to evaluate and act upon the proposal. The Board's action shall be to (a) approve the proposal and call for a membership vote thereon by written ballot in accordance with section 15.04, below; (b) disapprove the proposal; or (c) approve the proposal subject to the satisfaction of specified conditions. Unless Board approval is obtained, no annexation proposal need be presented to the Members unless a petition requesting a membership vote on the matter is signed by at least five percent (5%) of the Members and presented to the Board (see section 4.05 of these Bylaws). Among other requirements, the Board's approval can be conditioned upon the owner of the annexable property agreeing to defray the costs of photocopying and mailing to the Members of all relevant documentation, the ballot and appropriate solicitation materials.

15.04. Membership Approval Required. Additional real property meeting the requirements of section 15.01, above (the "annexable property"), may be annexed to the Service Area and brought within the general plan and scheme of the Governing Documents upon the approval by a majority of All Members of the corporation. The Member vote shall be conducted by written ballot in accordance with section 3.14 of the Bylaws and the solicitation materials accompanying the ballot shall include a copy of the proposed Declaration of Annexation, or a summary thereof with a notice of where a full and complete copy can be inspected, as well as any other information considered by the Board to be necessary or appropriate for an informed decision by the Members.

15.05. Declaration of Annexation; Supplemental Declarations. Any annexations of real property to the Service Area authorized under sections 15.03 and 15.04, above, shall be effected by filing with the Office of the County Recorder a Declaration of Annexation, or other similar instrument, with respect to the annexable property. The Declaration of Annexation (a) shall be

executed by the owner of the annexable property; (b) shall extend the general plan and scheme of the Governing Documents to such real property; and (c) may include, as an exhibit, a supplemental declaration (the "Supplemental Declaration") applicable to the annexable property only, which may contain such additions to, and modifications of, the Governing Documents as may be necessary to reflect the different character, if any, of the annexable property, so long as the Supplemental Declaration is submitted to the Members for consideration at the time their votes are solicited and the supplemental provisions are consistent with the general plan and scheme of the existing Governing Documents and all applicable laws and governmental regulations.

15.06. Effect of Annexation. The filing of a Declaration of Annexation shall constitute and effectuate the annexation of the annexable property described therein, and thereupon the annexable property shall become and constitute a part of the Service Area, and be subject to, and encompassed within, the general plan and scheme of the Governing Documents, subject only to such modifications as may be imposed by the Supplemental Declaration. Lots or parcels within the annexed property shall thereupon become subject to Assessment by the corporation and to the functions, powers, and jurisdiction of the corporation, and the Owners of lots within the annexed real property shall automatically become Members of the corporation. Any water facilities, pipes and equipment which are included within the annexed property shall be conveyed to the corporation, free of all liens and encumbrances, other than liens, rights-of-way, or other encumbrances disclosed on the preliminary title report for the annexed property and approved by the corporation. The conveyance of any water facilities, pipes, or equipment shall occur immediately following recordation of the Declaration of Annexation unless otherwise agreed in writing by the owner of the annexed property and the Board of Directors.

ARTICLE 16 BREACH AND DEFAULT

16.01. Costs and Attorneys Fee. In any action brought because of any alleged breach or default of any Owner or other party hereto under the Governing Documents, the court may award to any party in any such action such attorneys' fees and other costs as the court deems just and reasonable.

16.02. Cumulative Remedies. The respective rights and remedies provided by the Governing Documents shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of the

Governing Documents.

16.03. Failure Not a Waiver. The failure of the Board of Directors, the corporation or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, or equitable servitudes contained in the Governing Documents shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the corporation or the Board, nor any of its officers or agents.

16.04. Rights of the Corporation. In the event of a breach or violation of any Corporate rule or of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of all other members, may enforce the obligations of each Member to obey such Rules and Regulations through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, the suspension or termination of the Member's ~~or Member's~~ tenant's ~~right to water~~, or suspension of the Owner's voting rights as a Member of the corporation; provided that the corporation's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in sections 16.06– 16.08.

16.05. Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments, charges, or wasting of water). Once imposed, a fine or penalty may be collected as a Special Individual Assessment.

16.06. Definition of Violation. A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for additional days, discipline imposed by the Board may include one component for the violation and, according to the Board's discretion, a per diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The corporation shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation at the cost of the responsible Owner.

16.07. Limitations of Disciplinary Rights. The corporation shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of water delivery due to the failure by the Owner (or his or her family members, tenants, guests or invitees) to comply with any provision of the

Governing Documents or of any duly enacted corporate rule, except where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction, a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the corporation, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the corporation or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the corporation's actions satisfy the due process requirements of sections 16.08 and 16.09.

16.08. Due Process Requirements for Disciplinary Action. Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction to corporate property, the corporation shall have no right to initiate disciplinary action against an Owner-lessor (or the Owner's lessee or tenant) on account of the misconduct of the Owner, or the Owner's lessee or tenant, unless and until the following conditions have been satisfied:

(a) The Owner or tenant has received written notice from the Board, authorized Committee of the Board, or an officer designated by the Board to handle such matters, detailing the nature of the Owner's or tenant's alleged infraction or misconduct and advising the Owner or tenant of his or her right to a hearing on the matter, in the event the Owner or tenant believes that remedial or disciplinary action is unwarranted or unnecessary;

(b) The Owner or tenant has been given a reasonable opportunity to take corrective action on a voluntary basis, or to appear at a hearing if one is requested by the Owner or tenant; and

(c) The Owner has failed to prevent or correct the tenant's or Owner's objectionable actions or misconduct. Any hearing requested hereunder shall be conducted in accordance with section 16.09 below.

16.09. Hearings. No penalty, or temporary suspension of rights or water delivery, or termination of rights or water delivery shall be imposed unless the Owner, or tenant, alleged to be in violation is given at least fifteen (15) days prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Board of Directors or appropriate committee established by the Board with respect to the alleged violation(s) at a hearing conducted at least five (5) days before the effective date of the proposed disciplinary action.

(a) Notwithstanding the foregoing, under circumstances involving conduct that constitutes (i) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (ii) a traffic or

fire hazard; (iii) a threat of material damage to, or destruction of, the water facilities, equipment, and pipes; or (iv) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments), the Board of Directors or its duly authorized agents may undertake immediate corrective or disciplinary action and upon request of the offending Owner or tenant (which request must be received by the corporation, in writing, within five (5) days following the corporation's disciplinary action), or on its own initiative, conduct a hearing as soon thereafter as reasonably possible.

(b) If the corporation acts on its own initiative to schedule a hearing, notice of the date, time and location of the hearing shall accompany the notice of disciplinary action. If the accused Owner desires a hearing, a written request therefor shall be delivered to the corporation no later than five (5) days following the date when the fine is levied. The hearing shall be held no more than fifteen (15) days following the date of the disciplinary action or fifteen (15) days following receipt of the accused Owner's request for a hearing, whichever is later. Under such circumstances, any fine or other disciplinary action shall be held in abeyance and shall only become effective if affirmed at the hearing.

(c) Any notice required by this article shall, at a minimum, set forth the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation of the Governing Documents and a reference to the specific Governing Document provision alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice, provided that if notice is given by mail it shall be sent by first-class or certified mail sent to the last address of the Member shown on the records of the corporation.

(d) The Board shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the corporation's Rules and Regulations.

ARTICLE 17 MISCELLANEOUS

17.01. Location of Principal Office. The principal office of the corporation will be located at such place within the County as the Board may from time to time designate by resolution.

17.02. General Manager. The Board may, from time to time, employ the

services of a Manager to manage the affairs of the corporation and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the Manager any of its day-to-day management and maintenance duties and powers under these Bylaws, provided that the General Manager shall at all times remain subject to the general control of the Board.

17.03. No Public Rights in the Service Area. Nothing contained in the Governing Documents shall be deemed to be a gift or a dedication of all or any portion of the any water rights, facilities, pipes, or equipment to the general public or for any public use or purpose whatsoever.

17.04. Indemnification of Corporation. Each Owner shall be liable to the corporation for any damage to corporate property caused by the negligence or willful misconduct of the Owner or his or her family, guests, invitees or lessees, to the extent that the damage shall not be covered by insurance. Each Owner shall indemnify, hold harmless, and pay any costs of defense of each other Owner from claims for personal injury or property damage occurring in connection with purposes of the corporation, provided that this protection shall not extend to any indemnitee whose negligence or willful misconduct caused or contributed to the injury or damage. This section is not intended to be for the benefit of any insurer and shall not affect nor limit the duty of any insurer to pay any claim which would be payable by said insurer but for this section.

17.05. Indemnification by Corporation of Directors, Officers, and Other Agents. To the fullest extent permitted by law, the corporation shall indemnify its Directors, Officers, employees, and other agents described in Corporations Code §7237, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding" as that term is used in that section and including an action by or in the right of the corporation, by reason of the fact that such person is or was a person described by that section. "Expenses," as used in this section, shall have the same meaning as in Corporations Code §7237(a).

17.06. Approval of Indemnity by Corporation. On written request to the Board by any person seeking indemnification hereunder, the Board shall promptly determine in accordance with Corporations Code §7237(e), whether the applicable standard of conduct set forth in Corporations Code §7237(b) or §7237(c) has been met, and if it has, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of Directors who are not parties to the proceeding, the Board shall promptly call a meeting of Members. At that

meeting, the Members shall determine under Corporations Code §7237(e) whether the applicable standard of conduct set forth in Corporations Code §7237(b) or §7237(c) has been met, and if it has, the Members present at the meeting in person or by proxy shall authorize indemnification.

17.07. Advancement of Expenses. To the fullest extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under subsection 17.05 in defending any proceeding covered by those sections shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the corporation for those expenses.

17.08. Contracts with Directors. No director of this corporation nor any other corporation, firm, association, or other entity in which one or more of this corporation's directors are directors or have a material financial interest, shall be interested, directly or indirectly, in any contract or other transaction with this corporation unless:

(a) The contract or transaction is in the best interest of the corporation and only incidentally benefits the director;

(b) The contract or transaction does not include assets held in charitable trust, in which case the stricter requirements of Corporations Code §5233 must be followed; and

(c) The material facts as to the director's financial interest in such contract or transaction, or regarding such common directorship, officership, or financial interest, are fully disclosed in good faith or:

(i) Are known to the Members and such contract or transaction is approved in good faith by a majority of the Voting Power of the corporation's membership, with any membership owned by any interested director not being entitled to vote thereon; or

(ii) Are known to all Board members and such contract or transaction is authorized, approved, or ratified in good faith by a majority of the Board of Directors by a vote sufficient for that purpose without counting the vote of the interested director, and the contract or transaction is just and reasonable to as to the corporation at the time it was authorized, approved or ratified.

17.09. Loans to Directors. This corporation shall not lend any money or

property to, or guarantee the obligation of, any director or officer of the corporation unless (i) the board decides that the loan or guaranty may reasonably be expected to benefit the corporation, and (ii) before consummating the transaction or any part of it, the loan or guaranty is either approved by a majority of the Voting Power of the corporation's membership, without counting the vote of the director or officer, if a member, or (iii) the vote of a majority of the directors then in office, without counting the vote of the director who is to receive the loan or guaranty.

17.10. Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of its Directors and Officers, employees and other agents against other liability asserted against or incurred by any Director, Officer, employee or agent in such capacity or arising out of the Director's, Officer's, employee's, or agent's status as such.

17.11. Rules of Construction. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine or neuter shall each include the masculine, feminine and neuter, as the context requires.

17.12. Captions. All captions or titles used in these Bylaws are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of the Bylaws.

17.13. Liberal Interpretation of Bylaws. The provisions of these Bylaws shall be liberally construed to effectuate the purpose of creating a uniform plan for the operation of the water company for the mutual benefit of all owners.

17.14. Severability of Provisions. The provisions herein shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any of the provisions herein, shall not affect the validity of the remaining provisions.

17.15. Exhibits. All exhibits to which reference is made herein are deemed to be incorporated herein by reference, whether or not actually attached.

17.16. Waiver or Breach of Bylaws. No waiver or any breach of any of these Bylaws shall constitute a waiver of any succeeding or preceding breach of the same, or any other provision contained herein.

EXHIBIT A
SERVICE AREA DESCRIPTION

Lassen Pines Subdivision Unit No. 1:

Lots 1 through 42 as shown on the map of Lassen Pines Subdivision, Unit 1, filed for record in Book 14 of Maps at Page 15, Shasta County Records.
Assessor Parcel Numbers 701-350-001 through 042

Mountain Springs Acres:

Lots 1 through 5 and lots 8 through 20 as shown on the map of Mountain Springs Acres, Unit 1, filed for record in Book 14 of Maps at Page 84, Shasta County Records.
Assessor Parcel Numbers 701-370-001 through 005 & 701-370-008 through 020.

Mountain Springs Acres:

Parcels A and B as described in that Property Line Adjustment recorded March 27, 2002 as Instrument No. 2002-0015781 Official Records of Shasta County.
Assessor Parcel Numbers: 701-370-061 & 063

Mountain Springs Acres:

Lots 1 through 21 as shown on the map of Mountain Springs Acres, Unit 2, filed for record in Book 14 of Maps at Page 94, Shasta County Records.
Assessor Parcel Numbers: 701-370-021 through 041

Mountain Springs Acres:

Lots 10 through 14 as shown on the map of Mountain Springs Acres, Unit 3, filed for record in Book 14 of Maps at Page 127, Shasta County Records.
Assessor Parcel Numbers: 701-370-042 through 046

Mountain Springs Acres:

Lots 1 through 14 as shown on the map of Mountain Springs Acres, Unit 7, filed for record in Book 15 of Maps at Page 53, Shasta County Records.
Assessor Parcel Numbers: 701-370-047 through 060

Mountain Springs Acres:

Lots 1 through 7 as shown on the map of Mountain Springs Acres, Unit 3, filed for record in Book 14 of Maps at Page 127, Shasta County Records.
Assessor Parcel Numbers: 701-360-001 through 007

Mountain Springs Acres:

Lots 8 and 9 as shown on the map of Mountain Springs Acres, Unit 3, filed for record in Book 14 of Maps at Page 127, Shasta County Records.
Assessor Parcel Numbers: 701-360-008 through 009

Mountain Springs Acres:

Lots 1 through 22 as shown on the map of Mountain Springs Acres, Unit 4, filed for record in Book 15 of Maps at Page 50, Shasta County Records.

Assessor Parcel Numbers: 701-360-010 through 031

Mountain Springs Acres:

Lots 1 through 7 as shown on the map of Mountain Springs Acres, Unit 8, filed for record in Book 16 of Maps at Page 43, Shasta County Records.

Assessor Parcel Numbers: 701-360-032 through 038

Mountain Springs Acres:

Lots 1 through 25 as shown on the map of Mountain Springs Acres, Unit 10, filed for record in Book 16 of Maps at Page 45, Shasta County Records.

Assessor Parcel Numbers: 701-360-039 through 063

Mountain Springs Acres:

Lots 1 through 39 as shown on the map of Mountain Springs Acres, Unit 9, filed for record in Book 16 of Maps at Page 44, Shasta County Records.

Assessor Parcel Numbers: 701-320-001 through 701-320-018; 701-320-020 through 023; 701-320-026 through 039; 701-320-047 & 048

Mountain Springs Acres:

Lots 1 through 28 as shown on the map of Mountain Springs Acres, Unit 5, filed for record in Book 15 of Maps at Page 51, Shasta County Records.

Assessor Parcel Numbers: 701-040-019 through 43; 701-040-045, 045 & 056

Mountain Springs Acres:

Lots 1 through 4 as shown on the map of Mountain Springs Acres, Unit 6, filed for record in Book 15 of Maps at Page 52, Shasta County Records.

Assessor Parcel Numbers: 701-030-041, 042, 051 and 052

Mountain Meadows First Addition:

Lots 1 through 6 as shown on the map of Mountain Meadows Subdivision First Addition filed for record in Book 13 of Maps at Page 40, Shasta County Records.

Assessor Parcel Numbers: 701-040-001 through 006

Mountain Meadows Second Addition:

Lots 6 through 10 and 17 as shown on the map of Mountain Meadows Subdivision Second Addition filed for record in Book 13 of Maps at Page 40, Shasta County Records.

Assessor Parcel Numbers: 701-030-024 and 701-030-036 through 040

Mountain Meadows Second Addition:

Lots 1 through 5 and Lots 18 through 22 as shown on the map of Mountain Meadows Subdivision Second Addition filed for record in Book 13 of Maps at Page 40, Shasta County Records.

Assessor Parcel Numbers: 701-030-025 through 034

Mountain Meadows Third Addition:

Lots 1 through 12 as shown on the map of Mountain Meadows Subdivision Third Addition filed for record in Book 13 of Maps at Page 40, Shasta County Records.

Assessor Parcel Numbers: 701-030-001 through 012

Thatcher Meadows Road:

Parcel A as shown on the map recorded November 2, 1976 in Book 10 of Parcel Maps at Page 60, Shasta County Records.

Assessor Parcel Number: 701-040-010

Thatcher Meadows Road:

Parcels A, B, C, and D as shown on the map recorded May 5, 1978 in book 14 of Parcel Maps at Page 154, Shasta County Records.

Assessor Parcel Numbers: 701-040-047 through 050

Thatcher Meadows Road:

That property described in the Grant Deed recorded October 4, 2002 as Instrument No. 2002-0051836 of Official Records.

Assessor Parcel Number: 701-040-017

Thatcher Meadows Road:

That certain 2.17 acre parcel shown on the map filed for record September 29, 1980 in Book 21 of Parcel Maps at Page 38, Shasta County Records.

Assessor Parcel Number: 701-040-053

Thatcher Meadows Road:

Parcel 4 as shown on the map filed for record November 3, 1976 in Book 10 of Parcel Maps at Page 61, Shasta County Records.

Assessor Parcel Number: 701-040-054

Thatcher Meadows Road:

That certain real property described in the deed recorded July 27, 1984 in Book 2081 of Official Records at Page 190, Shasta County Records.

Assessor Parcel Number: 701-040-055

Thatcher Meadows Road:

That certain real property described in that instrument recorded July 19, 1993 in Book 3031 of Official Records at Page 203 as Instrument No. 31662, Shasta County Records.

Assessor Parcel Number: 701-040-007

Thatcher Meadows Road:

That certain real property described in that Grant Deed recorded October 12, 2006 as Instrument No. 2006-0052069 of Official Records, Shasta County Records.

Assessor Parcel Number: 701-040-008

Thatcher Mill Road:

That certain real property described in that Grant Deed recorded September 30, 1998 in Book 3757 at Page 456, Instrument No. 38540 of Official Records, Shasta County Records.

Assessor Parcel Number: 701-040-009

Unspecified:

That property described in Exhibit "A1" and "A2" in that certain Property Line Adjustment No. 16-96 filed for record August 21, 1997 in Book 3586 of Official Records at Page 802, Shasta County Records.

Assessor Parcel Numbers: 701-010-054 & 056; 701-030-013 & 054

Unspecified:

Parcels A, B, C and D shown on that certain Parcel Map filed for record August 1, 1978 in Book 15 of Parcel Maps at Page 108, Shasta County Records.

Assessor Parcel Numbers: 701-030-045 through 048

Private Road:

Parcel of land shown on certain Parcel Map for Tract No. 1175 Second Addition Mountain Meadow Private Road Subdivision recorded January 17, 1968 in Book 13 of Maps at Page 40, Shasta County Records.

Assessor Parcel Number: None

CERTIFICATE OF SECRETARY

I certify that I am the duly appointed and acting Secretary of LASSEN PINES MUTUAL WATER CO., INC. a California Nonprofit Mutual Benefit Corporation, that the foregoing Bylaws, consisting of 58 pages, including Exhibit A and this page, are the Bylaws of the corporation as adopted by the Board of Directors on December 21, 2010 and have not been amended or modified since that date.

Executed on December ____, 2010 at Shingletown, California.

Secretary