

BY-LAWS

Sheep Creek Water Company

Phelan, California

2017 *Revised to May 2017*

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REVISIONS 1985 FORWARD

1985 Sections 3.02, 3.18, 7.01, 7.02, 8.04

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ARTICLE I General Provisions

Section 1.01 Definitions.

"Company" means the above named corporation.

"Board" means the board of directors of company...

"General Corporation Law" means the general corporation law as defined in Section 100 of the Corporations Code of California, and as set forth in Division 1 of said Code.

"Articles of Incorporation" includes amendments and means the articles of incorporation as last amended.

The singular includes the plural and the masculine pronoun includes the other genders.

Section 1.02 Amendments. Except as otherwise hereinafter provided, these By-Laws may be repealed or amended or new By-Laws adopted by (a) the vote of the shareholders entitled to exercise a majority of the voting power at a meeting of shareholders, or (b) the written assent of shareholders entitled to exercise a majority of the voting power, filed with the Secretary, or (c) unanimous vote of all the members of the Board, to be ratified by a majority of the voting power at the first meeting of the shareholders, or by written assent of the shareholders entitled to exercise a majority of the voting power. This Section may only be amended or repealed by the shareholders.

ARTICLE II Shareholders

Section 2.01 Provisions of the General Corporation Law Applicable.

Except in those particulars and to the extent hereinafter expressly provided for, all of the provisions (whether mandatory or permissive) of Chapter 2 of

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Part 5 of The General Corporation Law, as now or hereafter existing, are approved, adopted and made applicable to the Company; and whenever no express provision is contained herein with respect to any matter authorized to be regulated, fixed, or established by or in the By-Laws, it is intended to adopt and approve the provisions in said Chapter 1 of Part 5 pertaining thereto and regulating or providing for the same.

Section 2.02 Annual Meeting. Subject to change by the Board, as provided in Section 2.03, a meeting of shareholders to be known as the "annual meeting" shall be held each year on the date and at the hour specified in the Articles of these By-Laws entitled "Special Provisions," for the purpose of electing directors, and other purposes.

Section 2.03 Changing Time of Annual Meeting. The Board may advance or postpone (and thereby change), the time of any annual meeting (as fixed elsewhere in these By-Laws) by not more than sixty days whenever it shall appear to the Board that such change is necessary or desirable. Such change shall be effected by resolution duly adopted by majority vote of the Board or by written assent of a majority of the members, filed with the Secretary, prior to giving notice of the meeting, and thereupon the time for the annual meeting shall be that so fixed by the Board, and notice of the meeting shall be given accordingly.

Section 2.04 Special Meetings. Special meetings of the shareholders, for any purpose or purposes whatsoever, may be held at any time upon call, which shall be made by (a) the President, or (b) the Board by resolution adopted by majority vote, or (c) written assent of a majority of all the acting directors filed with the Secretary, or (d) written assent filed with the Secretary signed by one or more shareholders having not less than one-fifth of the voting power of the Company.

Section 2.05 Place of Meeting. Unless some other place shall be appointed in any instance or instances, as hereinafter provided, meetings of shareholders, both annual and special, shall be held at the principal office of the Company.

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Authority is hereby conferred upon the Board, by resolution adopted by majority vote of all its members, or by written assent of a majority of such members, filed with the Secretary, to fix or designate (and from time to time change) the place for any shareholders' meeting, or meetings, one or more, or all, whether annual or special. Any place so designated shall be within seventy-five miles of the principal office, and in such instance said meeting, or meetings, shall be held at the place so fixed or designated.

Section 2.06 Notice of Meeting. Written notice of each meeting of shareholders, whether annual or special, shall be given to each shareholder entitled to notice, not more than thirty (30) days, nor less than five (5) days, before the meeting in any of the following ways:

First: By delivering such notice personally; or

Second: By mailing such notice, charges prepaid, addressed to such shareholder at his address appearing on the books of the Company. If no address appears on the books of the Company, then the notice shall be addressed to the shareholder at the city or community where the principal office of the Company is situated.

Whenever a shareholder shall in writing give the Company an address for the purpose of notice, the same shall be deemed the shareholder's "address appearing on the books of the Company," as such term is herein used. One method of service may be used as to some shareholders and the other as to other shareholders.

Section 2.07 Form of Notice and Statement of Purpose. Notice of any meeting shall specify the place, the day and the hour of the meeting. In the case of special meetings, the general nature of the business to be transacted shall be stated in the notice, but in the case of the annual meeting need not be stated; provided, however, the provisions of Section 2201 of the Corporations Code requiring notice to the shareholders of special proposals shall always be observed.

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Section 2.08 Shareholders Entitled to Notice. All notices of any meeting shall be mailed on the same day and at the same time. Where notice of any shareholders' meeting is to be mailed, notice shall be given to those who appear from the stock records as record holders at 5:00 P.M. on the day immediately preceding the day of mailing; and 5:00 P.M. on the day immediately preceding the day of mailing is the record date and time for the determination of shareholders entitled to notice of the meeting.

Section 2.09 Shareholders Entitled to Vote. Unless otherwise hereinafter provided, 5:00 P.M. on the fifth day next preceding the day first appointed for a shareholders' meeting is hereby fixed as the time for the close of stock books, and the determination of those entitled to vote at the meeting; and, subject to the provisions of law, only persons in whose names the shares stand on the stock records of the Company at the close of stock books as aforesaid shall be entitled to vote at that meeting or any adjournment thereof. No transfer of shares shall be made on the stock records of the Company during the period elapsing between said close of stock books and adjournment of the meeting on the day first appointed therefor. If a meeting be adjourned to a subsequent date, the stock books shall open upon adjournment so as to permit transfer, but not so as to affect the right of voting, determined as above provided.

Section 2.10 Business to be Transacted. At the annual meeting, directors to the number authorized shall be elected, reports of the affairs of the Company shall be considered, and any other business may be transacted which is within the powers of the shareholders, including the amendment, repeal and adoption of By-Laws, the approval and ratification of amendments to the Articles of Incorporation, and action upon or with respect to any or all questions and matters requiring the vote, consent, or approval of the shareholders, or with respect to which the shareholders are permitted to act, subject, however, to the provisions of said Section 2201 of the Corporations Code. At a special meeting, any business may be transacted of the general nature specified in the notice thereof, but not otherwise.

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Section 2.11 Manner of Voting at Shareholders' Meeting. At meetings of shareholders, all questions, other than an election of directors, or except as otherwise expressly provided by statute, or by these By-Laws, shall be determined by majority vote of the shares represented at the meeting, and all voting shall be viva voce, unless a majority in voting power of the shares represented shall demand a vote by written ballot.

Section 2.12 Election of Directors. If there have been nominated for the office of director more than the number to be elected, or if voting by mail has been provided for, the election shall be by written ballot, otherwise it shall be by voice vote.

The entire number of directors to be elected at any meeting or time shall be elected upon a single vote or ballot. At any election of directors, cumulative voting shall be allowed unless it shall be provided otherwise in said "Special Provisions". If cumulative voting shall be allowed, a shareholder shall have a number of votes equal to the number of shares held by him multiplied by the number of directors to be elected, and may cast all of his votes in favor of one or more candidates not exceeding the number to be elected.

Section 2.13 Directors Elected at Special Meeting. Whenever, for any reason, no election of directors has been had for more than one year, a Board of Directors may be elected at a special meeting of the shareholders called for that (in addition to any other) purpose, by the person or persons, in the manner and upon the notice in these By-Laws provided for calling and noticing special meetings of shareholders.

The terms of directors elected at a special meeting shall expire at the same time as though they had been elected at the annual meeting next preceding such special meeting.

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Section 2.14 Inspectors of Elections. Inspectors or an inspector of elections may be appointed in the manner and with the effect provided for in the General Corporation Law, and shall have and exercise the powers and authority there provided subject to the provisions of law, the By-Laws, and the rules and regulations.

The Board may make and from time to time change rules and regulations for the conduct of elections or any election, and for voting upon or with respect to any question or matter submitted to the shareholders for vote, consent or assent.

The Board may by rule or resolution prescribe the form of ballots and may provide ballots for use of the shareholders at elections or any election or in taking any vote; and may, in the case of ballots to be used in an election of directors, provide for printing thereon the name or names of candidates or nominees, and may also provide for voting by mail and for the nomination of directors prior to the election.

Such rules may in addition to any other matters provide for the time or times and the method of filing proxies, casting ballots and the tabulation and certification of votes. All such rules and regulations shall operate impartially, fairly and equally.

Whenever the filing of proxies is limited to a time prior to the meeting, and whenever in an election of directors the polls are to open or close at a specified time, notice of such limitation, opening or closing shall be stated in the notice of such meeting.

Section 2.15 Quorum of Shareholders. The presence in person or by proxy of the holders of forty percent of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business, including the election of directors, unless some other percentage shall be hereinafter stated.

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ARTICLE III Directors

Section 3.01 Provisions of The General Corporation Law. Except in those particulars and to the extent hereinafter expressly provided for, all provisions (whether mandatory or permissive) of Part 3 of the General Corporation Law, as now or hereafter existing, are approved, adopted and made applicable to the Company and whenever no express provisions are contained herein with respect to any matter authorized or permitted to be regulated, fixed or established by or in the By-Laws, it is intended to adopt and approve the provisions in said Part 3 pertaining thereto and regulating or providing for the same.

Section 3.02 Qualifications and Term. A director need not be a shareholder unless hereinafter otherwise stated. The term of office of a director shall begin immediately upon his election; and each director so elected shall hold office until his successor is elected, or until he resigns or is removed from office, whichever shall first transpire. A director cannot be the Company manager during his her term of office. (Amended: 1985: Insert of last sentence.)

Section 3.03 Organization Meeting. A meeting of the Board (to be known as the "organization meeting"), shall be held immediately following adjournment of the shareholders meeting at which elected, for the purpose of organizing, electing and appointing officers. Any other business may also be transacted at such meeting. No notice of such organization meeting need be given.

If not held at the time appointed, or if reorganization be not effected or completed at such meeting, the business or reorganization shall be transacted or completed at the first regular or special meeting held thereafter, and if not then completed, then at any meeting, regardless of when held.

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With the consent of all the directors, such organization meeting may be held at any time. Attendance shall be deemed such consent. The consent of any director not present or participating shall be written and filed with the Secretary and made a part of the minutes, either before or after the holding of the meeting.

Section 3.04 Regular Meetings. Meetings of the Board, to be known as "regular meetings", shall be held without call at a time appointed therefor by resolution adopted by majority vote of the Board. It shall not be necessary to give notice of regular meetings, nor of the business to be transacted; provided, if the time for holding regular meetings be changed, written notice of that fact shall be given to those directors who were absent at the time of the adoption of the resolution effecting the change. If the time appointed for a regular meeting falls upon a legal holiday, it shall be held at the same hour on the next succeeding business day.

Section 3.05 Special Meeting. Special meetings of the Board may be held from time to time upon call by the President, or if he be absent or be unable or refuse to act, by any Vice-President; and it shall be the duty of the President, or, if he be absent or be unable or refuse to act, then of any Vice-President, to call a special meeting upon the written request of two directors, specifying the purpose; and in the event neither the President nor Vice-President shall call such meeting upon said request, then the same may be called by said two directors. The call in any instance, shall be delivered to the Secretary or person whose duty it is to give notice.

Section 3.06 Notice of Special Meeting. Notice of special meetings of the Board specifying the time and place of meeting, shall be given each director not later than on the day next before the day of the meeting, in any one of the following ways, to wit:

First: By personal delivery of written notice of the meeting; or,

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Second: By sending written notice of the meeting by mail or telegram, provided, said written notice shall be mailed or sent in sufficient time to permit its receipt on the day next before the meeting, in the ordinary course of transmission; or

Third: By leaving written notice of the meeting at the residence or place of business of the director to be served, with some person residing or regularly employed there; or

Fourth: Verbally or by word of mouth, including therein telephoning, directly and personally to the director to be notified from and by the person whose duty it is to give notice, when intended as notice of meeting by the person giving the same.

Section 3.07 Place of Directors' Meetings. Meetings of the Board, whether regular or special, shall be held at such place within the State of California as has been designated from time to time by resolution of the Board, or by written consent of all members of the Board; and, in the absence of such designation, shall be held at the principal office of the Company.

Section 3.08 Waiver of Notice and Consent to Meetings. Each director may waive as to himself any and all provisions of law and/or these By-Laws, in respect of call, notice and place of meeting, or any of them, and may consent to the holding of any meeting, without call and notice, or either of them, and without regard to the place where held.

Any regular or special meeting of Directors, held with or upon the unanimous consent or approval of all the members of the Board (and attended by not less than a quorum) shall be valid without regard to call and notice, or either of them, and without regard to the place where held, and the proceedings of any such meeting shall be valid and constitute the act, or acts, of the Board as fully and conclusively as though taken and had at a meeting duly called and noticed and held at the place appointed therefor.

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Attendance at and participation in the proceedings of any meeting (attended and participated in by not less than a quorum), without objection to the regularity or sufficiency of, or lack of, call and notice, or either, or place where held, shall constitute and be a waiver in respect of such matters and an irrevocable consent to the holding of such meeting on the part of and by each director so attending and participating without objection.

Such herein authorized or referred to waiver and consent or either, of any director not present at such meeting, may be made and evidenced in any of the following ways, to wit:

- (a) In writing, filed with the Secretary, either before, during or after the meeting;
- (b) Subscribing at the foot of the minutes of such meeting an approval of such minutes;
- (c) Approval, without objection, of the minutes of such meeting at a subsequent meeting of the Board, attended by the director who was absent from the first mentioned meeting and whose waiver or consent is to be secured.
- Section 3.09 Vacancies. Any vacancy in the office of director, however created or arising, may be filled by a majority of the remaining directors, though less than a quorum; and the shareholders may fill any vacancy existing at any time and not filled by the directors.
- Section 3.10 Quorum. A majority of the authorized number of directors shall be necessary to constitute a quorum for the transaction of business; and, unless otherwise required by law or these By-Laws, 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.

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Section 3.11 Business to be Transacted. It shall not be necessary to state in any notice, whether of a regular or special meeting, the nature of the business to be transacted thereat, and any business that the Board may have transacted at a regular meeting may be transacted with like effect at a special meeting, unless otherwise provided by law.

Section 3.12 Compensation of Directors. Unless another method of determining the compensation of Directors shall be hereinafter specified, each Director shall be paid such sums as may be fixed by the shareholders from time to time at any meeting, or if at any time or times there shall not be in effect any provisions for compensation as established by the shareholders, then such sums as may be fixed from time to time by vote of at least two-thirds of the Board. A Director may be allowed fair remuneration to be fixed or approved by the Board for services other than attending meetings when no compensation therefor has been fixed. A Director shall be allowed his reasonable expenses when engaged in the business of the Company to be audited, allowed and paid as other claims against the Company.

Section 3.13 Powers of Board. The Board, subject to restrictions of law, the Articles of Incorporation and these By-Laws, shall exercise all of the powers of the Company, and without prejudice to or limitation upon its general powers, it is hereby expressly provided that the Board shall have and it is hereby given, full power and authority, in its unlimited discretion (to be exercised by resolution adopted by majority vote of all the members of the Board, whether denominated a rule or regulation, or otherwise), in respect of the matters, and as hereinafter set forth, to wit:

Section 3.14 Seal. To adopt, use, and at will alter, a corporate seal of form and device approved by the Board; provided there shall be set forth on said seal, the name of the Company and the State and date of incorporation. Said seal shall be affixed to the share certificates and such other instruments as the Board shall direct.

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Section 3.15 Share Register. To prescribe the form and provide for keeping a share register and records pertaining to the issuance, registration and transfer of shares.

Section 3.16 Financial Reports. To prescribe the form and provide for making and giving financial statements and reports to the shareholders. Unless provided to the contrary in the "Special Provisions," no report provided for by Section 3006 of the Corporations Code of the State of California need be sent to the shareholders, and the provisions of said section are expressly dispensed with.

Section 3.17 Rules and Regulations. To adopt, repeal, modify, from time to time change, and enforce, all rules and regulations not inconsistent with the laws of the State of California, or with the Articles of Incorporation, or with these By-Laws, by the Board deemed essential or desirable for the management or conduct of the Company's business and affairs, or the exercise of the Board's powers. Said rules and regulations may, in addition to any other things, provide for and regulate any of the matters in this Article referred to and authorized to be determined by the Board.

Section 3.18 Transfer Fee. To provide for the payment of a transfer fee to be fixed by the Board, for the transfer of shares upon the books of the Company, provided, that such transfer fee shall not exceed eighteen dollars (\$18.00) for each new certificate issued. (Amended: 1985—\$15.00; 2009—\$18.00)

Section 3.19 Fractional Shares. To regulate and control the division of shares into fractions, subject to any provision of these By-Laws relative thereto.

Section 3.20 Compulsory Exchange of Certificates. To require the respective holders of outstanding share certificates, or of any of such certificates, to surrender and exchange them for new certificates within a

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period to be fixed by the Board, not less than thirty (30) days from the giving of notice, whenever the Articles of Incorporation have been amended in any way affecting the statements contained in the outstanding share certificates, or whenever it becomes desirable for any reason, in the discretion of the Board, to cancel any outstanding share certificate and issue a new certificate therefor conforming to the rights of the holder. In any order requiring such surrender and exchange, the Board may provide that no holder of any such certificate ordered to be surrendered shall be entitled to vote or to exercise any of the rights or be entitled to any of the benefits or privileges of a shareholder of record until he shall have complied with such order, but such order shall only operate to suspend such rights after notice and until compliance. Notice of such order shall be given in the manner prescribed in these By-Laws for notice of meetings of shareholders, Such duty of surrender may also be enforced by action at law; and any shareholder having the ability, or other person having the possession and control, refusing or failing to surrender and exchange any certificate in accordance with the order of Board shall be liable to the Company for all damages incurred by it from such refusal or failure, including reasonable attorney's fees incurred by the Company in enforcing such duty.

Section 3.21 Dismissal of Employees. To dismiss any employee (whether regular or temporary) and terminate his employment, regardless of the period of employment, whether express or implied, without liability on the Company, other than for compensation for services actually performed to the time of dismissal and pro-rated (if that be necessary) at the rates provided for in the contract, or otherwise agreed upon or payable; and regardless of whether so stated in the contract, or at the time of hiring, the power of the Board to dismiss an employee, as herein provided, shall be deemed a part of every employment and every contract of employment, whether such contract of employment be written or in parole; and no officer, superintendent, or other representative of the Company, shall have any authority to employ any person other than upon and subject to the right of the Board to terminate the employment at any time, without liability

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resulting therefrom; provided further, the Board shall have power to waive such right of dismissal in any hiring for a period of not in excess of one year, when the contract is in writing and shall contain an express waiver of this provision and shall have been expressly authorized by resolution of the Board.

Section 3.22 Delegation of Powers. To delegate to any superintendent or other employee or agent of the Company, the enforcement of the rules and regulations of the Company, and the determination of all matters of a ministerial nature.

ARTICLE IV Notices

Section 4.01 Applies to all Notices. Except as in conflict with law, or other provisions of these By-Laws, the provisions of this Article are intended to, and shall apply to all notices required, or permitted, to be given, including notice of shareholders' meetings, Directors' meetings and assessments.

Section 4.02 By Whom Given, Method of Making, and Signing. Notices shall be given by the Secretary, or by an Assistant-Secretary, if such Assistant be so directed by either the Secretary, the President or the Board. If the person whose duty it is to give any notice shall fail or refuse so to do, then it shall be given by any person thereto directed by the President or the Board; or in the event of a called meeting, it may be given (in the event of such refusal or failure) by any person directed so to do by the person or persons calling the meeting. Whenever a written notice is required to be given, or is given under these By-Laws, or pursuant to any provision of law, it may be made by any method appropriate for such purpose, including longhand, writing, printing, stamping, multigraphing, mimeographing, typing, or in part by one method and in other parts by another or other methods.

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No notice need be actually signed or subscribed by the hand of the person giving it, and in lieu of actual signing, the name of such person may be made by the method used in making any other portion of the notice or by any method by which any portion of the notice might be made, as hereinbefore provided.

Section 4.03 Where Notice is To Be Mailed. When resort is had to giving any notice by mail, such notice shall be deposited in the United States Post Office in the city or community in which the principal office of the Company is situated, or in a United States Post Office within not more that fifty (50) miles from said principal office, with postage thereon prepaid, and directed to the person to be served at the address of such person, if such address appears on the records of the Company; and if same does not appear on such records, then addressed to such person at the city or community in which the principal office of the Company is situated. The notice shall be deemed to have been deposited in such Post Office if delivered to a letter carrier making mail deliveries from such Post Office, or when deposited in a letter box, or other mail receptacle from which mail is regularly collected for such Post Office.

Section 4.04 Method, Publication and Form. The Board shall have power, subject to provisions of law, or of these By-Laws specifically regulating the matter. from time to time and at any time, to determine and order, with respect to notices, or any notice, as follows:

- (a) Where two or more methods are available, which method shall be used, and use of one method as to one or more persons to be served, and another method, or methods, as to others;
 - (b) The newspaper in which publication is to be made;
 - (c) The date, or dates, or publication;
 - (d) The form and contents of the notice; and
 - (e) The date of mailing of the notice.

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If the time has arrived when the person charged with the duty desires to give notice, and the Board has failed to determine any of the above, the same shall then be determined by such person; and the power reserved to and conferred upon the Board, as above stated, shall be exercised and the determination made, by the person giving the notice.

Section 4.05 No Notice to Person Giving the Same. Where the person giving any notice shall belong to the class entitled to notice, no notice need be mailed to or otherwise served upon such person, and it shall be conclusively presumed that service of the notice has been made personally upon that person.

Section 4.06 Actual Receipt of Notice. Whenever any person (whether shareholder, director or other) shall be entitled to any notice, actual receipt by such person of any writing intended as a special or specific notice to such person, or of any written or printed notice used, or intended for use, generally, as or for notice to the class of which the person is a member, shall constitute and be notice of the contents of such writing, and due and sufficient service of such notice, regardless of how or in what manner served, or how or in what manner, or by whom delivery was made, or how or in what manner or from whom it was received; and no other or further notice need be given or service made, and such person shall be deemed to have waived any irregularity or omission in respect of such notice and service, unless written protest specifying the grounds of insufficiency or the nature of the omission be immediately filed with the Company.

ARTICLE V Officers

Section 5.01 Number of Officers. The officers of the Company (herein called "regular officers") shall be elected by the Directors, and shall be a President, a Vice-President, a Secretary and a Treasurer. The Board may also appoint one or more additional Vice-Presidents, one or more Assistant-Secretaries, one or more Assistant-Treasurers, and such other

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officers as they deem desirable for the transaction of the business of the Company. Except as may be provided otherwise in the "Special Provisions" hereof, none of said officers need be members of the Board of Directors. Any two or more of said offices, except those of President and Secretary, may be held by the same person. Regular officers shall be elected annually at the organization meeting of the Board, or whenever the Board shall determine; provided, they may always be elected whenever a vacancy exists. Other officers may be elected at any meeting of the Board. Unless sooner removed by the Board of Directors, or unless they resign or become or be disqualified, all of the officers shall hold office until their successors are chosen and qualified. Any officer, whether elected or appointed by the Board of Directors, may be removed at any time by the affirmative vote of a majority of the whole Board of Directors, and each officer shall take and hold office subject to the right of removal by the Board of Directors.

Section 5.02 The President. The President shall be the chief executive officer of the Company, and as such shall:

- (a) Preside at all meetings of the shareholders and Directors unless otherwise hereinafter provided. Such shall not prevent him from voting, either at shareholders' meeting, or as Director at a Directors' meeting upon any question;
- (b) Unless otherwise directed by the Board, sign as President all deeds and all other instruments in writing which have been first approved or authorized by the Board;
- (c) Have power to cause the orders and resolutions of the Board to be carried into effect, and at such times as there shall be no General Manager of the Company, shall have, subject to the advice and control of the Board, general and active supervision of the business and affairs of the Company.
- Section 5.03 Vice-President. The Vice-President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President.

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Section 5.04 Secretary. The Secretary shall:

- (a) Attend all sessions of the Board and all meetings of the shareholders, and record all votes and minutes of all proceedings in a book to be kept for that purpose, and perform like duties for any standing committees when required,
- (b) Keep the corporate seal of the Company and books of blank certificates of stock, fill up and counter-sign all certificates issued, and affix the corporate seal to all papers requiring a seal;
- (c) Keep proper account books and such records and books pertaining to the issuance and transfer of shares as may be required by law or these By-Laws, or as the Board shall prescribe, and discharge such other duties as pertain to his office, or which may be required by law, or by these By-Laws, or by the Board.

Section 5.05 Treasurer. The Treasurer shall:

- (a) Have custody of the corporate funds and securities and keep full and accurate accounts of receipts and disbursements in books belonging to the Company and deposit all moneys and other valuable effects in the name and to the credit of the Company, in such depositories as may be designated by the Board;
- (b) Disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements and render to the President and Board, at the regular meeting of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial conditions of the Company; provided the Board may prescribe the manner in which funds shall be withdrawn from and paid out by any depositary;
- (c) Give the Company a bond if required by the Board of Directors in a sum, and with one or more sureties satisfactory to the Board, for the

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faithful performance of the duties of his office, and for the restoration to the Company, in case of death, resignation, retirement or removal from office, or all books, papers, vouchers, money and other properties of whatever kind in his possession or under his control belonging to the Company.

Section 5.06 Duties of Officers May be Delegated. In case of the absence of any officer of the Company, or for any other reason that the Board may deem sufficient, the Board may delegate, for the time being, the powers or duties, or any of them, of such officer to any other officer or to any Director, provided a majority of the entire Board concur therein.

ARTICLE VI Certificates and Transfers of Shares

Section 6.01 By Whom Signed. Certificates for shares shall be signed by the President or Vice-President and the Secretary, or an Assistant-Secretary.

Section 6.02 Form. Subject to the provisions of law and these By-Laws, certificates for shares shall be of such form and device as the Board of Directors may direct.

The person to whom issued shall be denominated therein as the "record holder", or by such other designation as shall be ordered by the Board pursuant to any provisions of law.

A voluntary encumbrance of the shares is herein called a "pledge".

The person in whose name a pledge of shares may be registered may be known as the "registered pledgee".

Each certificate shall be issued and held upon and subject to all of the conditions and provisions thereon stated, all of which shall be binding upon the record holder, the registered pledgee (if any) and any transferee or person claiming any interest in the shares, or any of them, evidenced thereby.

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Section 6.03 Registration of Pledge. Upon satisfactory evidence of a pledge, the Company shall note the transaction (with the name of the pledgee) on its books or on the share certificate. One or more pledges may be so registered, their priority being indicated by the expressions "First pledgee", "Second pledgee" and so forth.

Section 6.04 Effect of Registration of Pledge. When any pledge has been so registered, the record holder shall be deemed the shareholder as regards the Company, and as such, shall represent the shares and exercise all rights, vote, consent and assent in respect to the shares, and be entitled to all benefits thereunder except that any dividends, whether liquidating or otherwise, shall be paid or delivered to the first pledgee.

ARTICLE VII Water Service Provisions

Section 7.01 Tolls and Assessments. The Board shall have power to fix, and from time to time change, the charges or tolls payable for water furnished, or other service rendered; and to levy, collect and enforce assessments against the shares of stock.

It shall lie within the power of the Board of Directors to determine what part of the revenue of the Company shall be raised by assessments and what part by tolls or rates, and what amount or items shall be charged to current operating expense and what to permanent additions or betterments.

A fee of One Dollar (\$1.00) per share shall be charged to the shareholder for administrative costs when shares are loaned or assigned.

Expenditures for capital improvements exceeding \$10,000.00 shall require approval from the shareholders. (Amended: 1985: Insert of third and fourth paragraphs.)

Section 7.02 Delinquency and Interest. The Board shall have the power to provide the time when tolls, charges and accounts shall be due and

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when delinquent, and for the payment of: 1) interest on past due tolls, charges and accounts at the rate of not to exceed ten percent (10%) per annum; and 2) for the payment of a delinquency fee equivalent to five percent (5%) of the total of past due tolls, charges and accounts in addition to the payment of the interest. (Amended: 1985: \$50; 2009 5%)

Section 7.03 Penalties. The Board may provide for the imposition and enforcement of a penalty for violation of the rules and regulations of the Company, not exceeding in any instance the sum of Twenty-five Dollars (\$25.00).

Section 7.04 Suspension of Service. The Board may provide for the suspension of water service and for discontinuance of water delivery for violation of the rules and regulations, or for failure to pay any charges, tolls, assessments, costs, interest, penalties or other sums payable to the Company, and the time when and the conditions upon which such delivery or service shall be resumed.

Section 7.05 Measuring and Diversion Devices. The Board my provide for, determine and fix the location and installation of the measuring gates, hydrants, weirs, and meters for turning out or measuring the water to which the respective shareholders may be entitled, and may provide that no gate, hydrant, weir or meter shall be installed or changed without the consent and approval of the Board, and that each such gate, hydrant, weir or meter shall be installed and or maintained at the expense of the shareholder or shareholders using or supplied through the same. Any such appliance shall be under the control of the Company, and be deemed a part of the Company's distributing system.

No shareholder, by virtue of the ownership of shares shall be entitled to connect with the distributing system used by the Company for delivery of water, or so take water therefrom except with the consent and upon and subject to the rules and regulations of the Company pertaining thereto, and the Company reserves and shall have full control over all storing,

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distributing, measuring and diversion appliances, and over all water until it shall have been actually released or delivered to the shareholder.

Section 7.06 Control of Deliveries. The Board shall have power to provide, determine and fix, at such time or times and in such manner as the Board shall determine, and to change, any or all of the following with respect to delivery of water, to wit:

- (a) The amount of water available for distribution to the shareholders, and the amount apportioned for and to be delivered to each share for any season, year, or period of time. In making such determination, the Board shall take into consideration all factors by them deemed relevant, and their determination, in good faith, shall be conclusive upon each and every shareholder;
 - (b) The time when delivery shall begin and end each season or year;
- (c) The times during the season when delivery is to be made, and for delivery in heads upon recurring periods, and the amount delivered at any time, and the minimum and maximum number of shares in respect of which delivery will be made at one place or at one time;
- (d) The notice required for and conditions under which delivery is to be made:
- (e) That any shareholder not taking the water allotted to his shares at the time provided therefor shall forfeit or lose his right to the delivery of that water.

Section 7.07 Extension of Distributing System. The Board may provide and determine the place or places where, and the points to which, the water distributing system, or any other system, service, or appliances of the Company shall be located or extended. The holding of shares of the Company shall confer no right upon the shareholder to have any pipe line, water conduit, or other appliance of the company enlarged or extended

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without the consent of the Board of Directors; and the Board shall, at all times, be the exclusive judge of the necessity and expediency of constructing, enlarging, changing and extending the water distribution system or other appliances of the Company and such expediency and necessity shall, at all times, be determined by and subject to the sole and uncontrolled discretion of the Board.

ARTICLE VIII Special Provisions

Section 8.01 Annual Meeting. The annual meeting shall be held in each year on the date and at the hour here stated, viz. The first Saturday in May at the hour of 10:00 A.M. Not later than thirty (30) days following the annual meeting, a copy of the minutes shall be mailed to each stockholder.

Section 8.02 Cumulative Voting. Cumulative voting shall not be allowed in any meeting or election.

Section 8.03 Fractional Shares. A share may not be divided, and no fractional share may be issued, or certificate issued therefor

Section 8.04 District Defined. As used in these By-Laws, the expression "District" refers to and means all that certain land area situated in the County of San Bernardino, California, described as follows:

Beginning at the Northwest corner of Section 23 T5N, R7W, thence East 4 miles to the Northeast corner of Section 20, T5N, R6W, thence South 9 miles to the Southeast corner of Section 32, T4N, R6W, thence Westerly 4 miles to the Southwest corner of Section 35, T4N, R7W, thence Northerly 9 miles to the point of beginning,

unless and until the District shall be changed as herein provided, in which case it shall refer to and mean such altered area. (Description Amended: 1985.)

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Section 8.05 Change of District. The District may be changed from time to time so to include land not a part of the District immediately prior to the change and or exclude lands constituting a part of the District immediately prior to such change.

Section 8.06 How Change Effected. The change provided for in the preceding Section may be made by resolution of the Board of Directors and approved by the vote or written consent of shareholders entitled to exercise a majority of the voting power of the Company; provided no lands constituting a part of the District at any time may be excluded from the District without the consent of the owner or owners of such excluded lands (which consent shall be given or manifested in such manner as the Board shall prescribe), while such owner or owners shall also be a shareholder or shareholders of this Company.

Section 8.07 Use Restricted to District. All water received from and delivered by the Company at any time shall be used solely and exclusively within the District as the same subsists at such time.

No shareholder or other person shall transport or take or have any right to transport or take water supplied by the Company without the District for use upon lands lying without the District or for use without the District, (otherwise than by tanks or other portable containers), and the Company may withhold delivery of any water because of its use or threatened use contrary to the provisions of this Section.

Section 8.08 Apportionment of Water. The water of the Company available for delivery shall be deemed apportioned among the shares so that during the given period of time each share shall be entitled to receive the same amount of water as every other share; but if any consumer fails to draw the full amount apportioned to the share furnishing the service of that consumer, the right to any apportioned water not drawn shall be waived and any such water may be taken by the consumers, subject always to payment of tolls and the rules of this Company; provided further, however, that in

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the event of a severe water supply decrease, the Board, acting in good faith and by a vote of a majority of its membership, shall have the authority to adjust water allocation per share to provide for up to five times the allocation for a Shareholder's first share as for each of a Shareholder's other shares, until such time as the severe water supply decrease shall have subsided.

Section 8.09 At Least One Share Per Service. No share shall entitle a consumer to service at more than one place or through more than one service connection.

Section 8.10 Number of Directors. The number of directors shall be five and a quorum shall consist of three directors. (Amended, 19_? - to 6 directors with quorum of 4; 2008—to 5 directors with quorum of 3.)

ARTICLE IX Shares Attached to Buildings for Pressure Service

Section 9.01 Definitions. Terms and expressions are used in these By-Laws with the following meanings:

- (a) "Principal Building" means any building or structure within the "District" and in which building or structure water is designed to be used or consumed or is being used or consumed, or to which a water service connection exists; excepting, however, any garage, stable, shed or other outbuilding which is subsidiary and accessory to and is designed to be, and is used, solely for the convenience of occupants or users of a dwelling, commercial building or other main structure within the "District" and which main structure is then entitled to water service from this Company;
 - (b) "Persons" includes corporation, partnership or association;
- (c) "Pressure Service" means the delivery of water under pressure to a shareholder of the Company or an assignee of a shareholder;
- (d) "An assignce" of a shareholder is one who as purchaser, lessee, licensee, or assignee of such shareholder is entitled to receive (for a limited

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period) the water deliverable in respect of one or more shares of which the shareholder is a record holder:

- (e) "A consumer" is one receiving or entitled to receive water service from the Company; and
- (f) "An owner" (of land or building) includes one having an estate therein, entitling him to its present possession, whether as co-tenant, joint tenant, purchaser under an executory agreement of sale, lessee, or otherwise

Section 9.02 Shares Attached to Buildings. For purposes of pressure service and transfer, at least one share of stock shall be attached to each principal building. The Board may further require as to any particular class of principal buildings (which by reason of the design or the use made customarily thereof, uses more water per building than is normally required by the average single-family residence in the District) that more than one share per principal building shall be attached to the buildings in such class as a condition to pressure service being furnished thereto of therefor. Such attachment may be made by written direction of a stockholder to the Company so providing, and if any pressure service be rendered to or for any principal building at the request or with the consent or acquiescence of the owner or owners of such building, an attachment to such building by the owner or owners thereof of the share or shares required to entitle such building to pressure service again from the Company shall be deemed to have been made to the extent that such owner or owners may own unattached stock.

Attached shares pass with the principal buildings to which they are attached, and are incapable of severance therefrom, either voluntarily or involuntarily, except upon a sale or forfeiture for delinquent assessments, or except with the consent of the Board of Directors, or except if the principal building to which any share or shares is or are attached shall be

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removed from the District or destroyed; and in the event of such removal or destruction, the shares formerly attached to the destroyed or removed building shall belong to the person or persons who own such building upon destruction or removal.

With the consent of the Board, shares may be detached and thereafter attached to other buildings.

It is not intended to make the shares appurtenant to land by complying with the provisions of Section 330.24 of the California Civil Code, but it is intended that such shares shall be attached to principal buildings to the extent and for the purposes herein stated and provided for as a matter of contract and regulation.

Section 9.03 Shares Pass With Buildings. Whenever the legal title of any principal building or buildings within the District shall be transferred, whether voluntarily or involuntarily, there shall automatically pass to and vest in the new owner of such building or buildings, the shares attached thereto, if any, unless the transferor expressly reserves such shares with the consent or approval of the Board of Directors.

The Board of Directors shall have power to determine the number and identity of shares passing with any building and cause the same to be transferred upon the records of the company and its determination shall be conclusive.

Section 9.04 Hypothecation of Shares. Attached shares may be hypothecated or encumbered only when the building to which the shares are attached is hypothecated or encumbered for the same obligation.

Section 9.05 Custody of Share Certificates. To assure against loss of the share certificates and to facilitate transfer of the shares upon the records of the Company, all share certificates shall be retained by the Company and

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there shall be issued by each shareholder a receipt for the certificate evidencing the shares of such shareholder. The receipt shall be signed by the Secretary or such officer or officers as the Board shall direct and be of such form as the Board determines. The receipt shall be non-negotiable, but when required by the Board or the officers charged with the duty of transferring the shares, shall be surrendered to the Company before voluntary transfer of the shares evidenced by the certificate receipted for.

The Secretary of the Company in office at any time shall be deemed the Agent and Attorney in Fact of the respective shareholders to assign the certificates and shares evidenced thereby, and to cause their transfer on the books of the Company, when and if transfers should be made in accordance with the provisions of these By-Laws.

No liability shall be incurred by the Secretary, or by the officers of the Company for transferring any shares or for refusing to transfer any shares as long as such Secretary or other officer acts in good faith and according to what is deemed the rights of the parties; and the shares shall be deemed of no value apart from the buildings to which they are attached, (for the purposes of this paragraph) and each shareholder and other person expressly waive the benefit of all provisions of law imposing a penalty upon an officer of a corporation for wrongfully transferring or failing to transfer shares of the corporation, and agrees the only remedy of such party is for actual damages, if any.

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Notes

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