

**RESTATED BYLAWS OF
CASCADEL MUTUAL WATER CO.
a California nonprofit mutual benefit corporation**

**ARTICLE I
OFFICES, PURPOSE, AND APPLICABLE LAW**

Section 1. NAME.

The name of this corporation is Cascadel Mutual Water Co. (the “*corporation*”). These bylaws, as amended from time to time, are the corporation’s bylaws (“*Bylaws*”).

Section 2. OFFICES.

The principal office for the transaction of the business of the corporation shall be 57839 Road 225, North Fork, California 93643. The corporation’s board of directors (“*Board of Directors*” or “*Board*”) shall have the authority to change the principal office from one location to another within Madera County (“*County*”), California by resolution.

Section 3. PURPOSE.

The Company is organized and operated as a mutual water company under California law for the purpose of delivering water at cost to its members within Cascadel Woods Subdivisions 1, 2, and 4, and the surrounding parcels more particularly described in **Exhibit A** (the “*Service Area*”). As such, the corporation’s primary objective is to operate a water system and to distribute water to the Water Members (defined in Article II, Section 2, below) without pecuniary gain or profit.

Consistent with the corporation’s purposes under its Articles of Incorporation, in addition to developing, storing, distributing, and supplying water to its Water Members for beneficial use upon their lands in the Service Area, the corporation may, to the extent authorized by its Board and applicable law, take any action necessary and incidental to:

(i) own, operate, repair, and maintain facilities, improvements, and real property held for the common use and benefit of the corporation and its members, including roads, easements, and areas reasonably necessary or convenient for the delivery of water to its Water Members or the protection of the corporation’s water facilities or its members’ properties in the Service Area, including roads, access easements, and the specific easements consisting of all private roadways in the Service Area for which the property owners served by the corporation are jointly responsible for maintaining pursuant to Madera County Superior Court 1973 Judgment No. 17360 dated July 23, 1973 (the “*1973 Judgment*”),¹

¹ The 1973 Judgment determined the proportionate liability and maintenance obligations of all persons whose real property is located within “that geographic area commonly known as and described as Cascadel Woods and subdivisions 1, 2 and 4 thereof along with certain undeveloped areas located therein and thereabout, for the maintenance costs of that certain easements which consists of all private roadways in and about said area” and provided that the cost of maintaining such roadway easements shall be apportioned as follows: (i) one unit shall be assigned to each parcel of real property, without regard to the sizes of each such parcel; (ii) one unit shall be assigned to each residential or commercial facility that exists upon each parcel; and (iii) the proportionate liability of each property owner for the annual cost of maintaining the roadway easements shall bear the same proportional relationship to the total annual cost based on the number of units held by each

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and Madera County Superior Court Judgment No. 17985 dated May 17, 1974 (the “**1974 Judgment**”) (collectively, “**Judgments**”), and which the corporation has agreed to maintain on behalf of the members because (a) these roads and the Open Space (defined below) are not maintained by the County; and (b) the corporation cannot provide water service to members in the Service Area without maintaining these roads and the corporation’s water facilities underneath and/or adjacent to these roads; and

(ii) acquire, own, operate, maintain, and improve real property, improvements and facilities upon such real property, vacant land, and community-use and recreational areas and facilities serving the members and their households, including, but not limited to (a) the outlots and open areas of land commonly known as “Outlots A, B, C and E of Cascadel Woods Subdivision 4” (the “**Open Space**”); and (b) the real property commonly known as the “Historic Cascadel Ranch Lodge” in the Service Area for which the property owners served by the corporation are jointly responsible for maintaining pursuant to the 1974 Judgment² (collectively, the “**Company Property**”), and which the corporation has agreed to maintain on behalf of the members because (x) neither the Open Space nor the Historic Cascadel Ranch Lodge are maintained by the County; and (y) the corporation and personnel working on behalf of its Firewise Brigade Committee use portions of the Open Space to store, maintain, and access equipment and nearby water system facilities, and/or portions of the roads in the Service Area that are to be maintained by the corporation pursuant to the Judgments and these Bylaws.

To carry out the foregoing purposes, the corporation shall have the powers described in Article 5 of its Articles of Incorporation and Section 1 of Article III of these Bylaws, below, which shall be exercised by its Board.

Section 4. MUTUAL BENEFIT CORPORATION STATUS.

As provided under Article 3 of the corporation’s Articles of Incorporation, this corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law in sections 7110-8910 of the California Corporations Code and is not organized for the private gain of any person. The purpose of this corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such law.

Section 5. FEDERAL TAX-EXEMPT STATUS.

The corporation does not come under the jurisdiction of the California Public Utilities Commission and has qualified for tax-exempt status for federal income tax purposes. Notwithstanding any other provisions of the Bylaws, the corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that do not further the purposes of the corporation and shall not carry on any other activities that are not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c) of the Internal Revenue Code.

property owner in relation to the total number of units compiled, from time to time, within the area served.

² The 1974 Judgment is binding on the present and future owners of all lots in Cascadel Woods Subdivisions 1, 2, and 4, and the owners of the surrounding land more particularly described in paragraphs 2(a) and 2(b) of the 1974 Judgment. The judgment further provides that, “Outlots A, B, C and D of Cascadel Woods Subdivision No. 4 shall be reserved for recreational uses for the benefit of the present and future owners of lots in Cascadel Woods Subdivisions Nos. 1, 2 and 4, and for the benefit of future lot owners in future subdivisions of the adjacent properties to the existing subdivisions now owned by Cascadel Ranch Properties, Inc. as described in paragraph 2 (b).”

ARTICLE II
**MEMBERS AND MEMBERSHIP MEETING;
CERTIFICATES; TRANSFER OF MEMBERSHIPS**

Section 1. MEMBER QUALIFICATION; MEMBERSHIP CLASSES.

The sole qualification for membership in the Company is owning a lot or outlot in the Company's Service Area, which entitles the owner to receive water service and water deliveries from the corporation at such lot or outlot.³ The corporation shall have three (3) classes of membership, as discussed further in Section 2 of this Article. All memberships in this corporation are appurtenant to the underlying land situated in the Service Area for which the memberships are issued.

Section 2. MEMBERSHIP STRUCTURE & SERVICES PROVIDED TO MEMBERS.

The corporation shall have three (3) classes of membership (all members of one or more classes of membership, collectively, the "members") to which it will provide the following services (collectively, "Services"):

(a) **Class A – Water Members.** Each "Class A" membership (a "**Water Membership**") is a membership that entitles the member (a "**Water Member**") to: (i) receive water from the corporation and all rights provided to Water Members under these Bylaws ("**Water Service**"); (ii) vote on all actions and decisions that require a vote of the members under Section 6 of this Article below; and (iii) vote on all matters that requires the vote of the Water Members specifically under Section 7 of this Article below.

(b) **Class B – Road Maintenance Members.** Each "Class B" membership (a "**Road Maintenance Membership**") is a membership that entitles the member (a "**Road Maintenance Member**") to: (i) receive road maintenance services ("**Road Maintenance Services**") from the corporation to fulfill the member's obligation to pay a proportional share of the cost of maintaining these roads pursuant to the Judgments, which must be maintained for use by Road Maintenance Members, and the corporation, so it can access, use, and maintain these roads and the water facilities located underneath or adjacent to these roads; (ii) vote on all actions and decisions that require a vote of the members under Section 6; and (iii) vote on all matters that requires the vote of the Road Maintenance Members specifically under Section 7.

(c) **Class C – Common Services Members.** Each "Class C" membership (a "**Common Services Membership**") is a membership that entitles the member (a "**Common Services Member**") to: (i) receive access to and use of Company Property the corporation owns, operates, and maintains for business use and occasional common use for the benefit of its members pursuant to these Bylaws, including services provided by the Company to repair and maintain the Open Space and Company Property ("**Common Services**"); (ii) vote on all actions and decisions that require a vote of the members under Section 6; and (iii) vote on all matters that requires the vote of the Common Services Members specifically under Section 7.

³ All members and owners of land in the Service Area own a right to have water delivered to their properties, which is a right that is appurtenant to their land, and that membership right to receive water exists independently of whether a member chooses to exercise that right through an active service connection to the Company's water system.

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Section 3. PLACE OF MEETINGS.

All meetings of members shall be (i) open to all members and classes of membership and (ii) held at the principal office of the corporation or at any other place within the State of California which may be designated by the Board of Directors.

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Section 2. ANNUAL MEETINGS.

The annual meeting of members shall be held on the fourth Saturday of September, or such date and time to be determined by the Board of Directors, for the purposes of electing directors and conducting any other business that properly comes before the meeting.

Comment [RM2]: All member meetings will be open to all members (of any of the three classes of membership). Accordingly, if these bylaws are adopted by the members, the total number of voting members will increase from the company's 114 existing voting members under the current bylaws to approximately 170 members once membership is expanded to include the Class B and C members described in Section 2 above.

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Section 3. SPECIAL MEETINGS.

Special meetings of the members, for any purpose or purposes whatsoever, may be called at any time by the President, or by the Board of Directors, or by any two or more members thereof, or by one or more members holding five percent (5%) or more of the voting power of the corporation. [Corporations Code Section 7510(e)]

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Section 4. NOTICE OF MEETINGS.

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Notices of meetings of members, annual or special, shall be given in writing to all members entitled to vote on any matter that may come before the meeting by the Secretary or the Assistant Secretary, or if there is no such officer, or in case of his neglect or refusal, by any director or member. Notices of such meetings may be given by e-mail if a member consents in writing to receive such notices by e-mail.

Such notices shall be sent to the member's mailing address or, if applicable, e-mail address appearing on the books of the corporation, or supplied by him to the corporation for the purpose of notice, not less ten (10) or more than ninety (90) days before such meeting. [Corporations Code Section 7511(a)]

Notice of any meeting of members shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted; (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the members; or (iii) in the case of any member meeting that requires a class vote on a specific matter by one or more of the individual classes of membership, those specific matters that require such class vote in accordance with Section 7 of this Article below.

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The notice of any meeting of members at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by the Board for election, pursuant to Section 7511(a) of the Corporations Code of California.

If action is proposed to be taken at any meeting of members for approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 7233 of the California Corporations Code, (ii) an amendment of the Articles of Incorporation, pursuant to Sections 7812 and 7813 of that Code, (iii) a sale or transfer of all or substantially all of the corporation's assets

pursuant to Section 7911 of that Code, (iv) a merger of the corporation pursuant to Section 8011 of that Code, or (v) a voluntary dissolution of the corporation, pursuant to Section 8610 of that Code, the general nature of that proposal shall be stated in the notice given to, or in the written waiver of notice received from, each member entitled to vote thereon.

When a meeting is adjourned for 45 days or more, notice of the adjourned meeting shall be given as in case of an original meeting. Except as stated in the preceding sentence, it shall not be necessary to give any notice of adjournment or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken.

Section 5. CONSENT TO MEETINGS OF MEMBERS.

The transactions of any meeting of members, however called and noticed, shall be valid as though had at a meeting daily held after call and notice, if a quorum of members are present either in person or by proxy, and if either before or after the meeting, each of the members entitled to vote, not present in person or by proxy, sign a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Any action which may be taken at a meeting of the members may be taken without a meeting if authorized by a writing signed by all of the holders of memberships who would be entitled to vote at a meeting for such purpose and filed with the Secretary of the corporation.

Section 6. VOTING RIGHTS AND QUORUM REQUIREMENTS FOR VOTES OF ALL MEMBERS/MEMBERSHIP CLASSES

This Section 6 addresses member voting and quorum requirements for votes on general matters that impact all members, including the election of directors to the Board. Matters that require class voting on a specific matter by one or more of the individual classes of membership are governed by Section 7 of this Article below.

(a) All-Member Voting Matters

For any matter submitted to a vote of the members that does not require class voting on a specific matter by one or more of the corporation's three classes of membership (each general matter, an "All-Member Voting Matter"), each member who is in good standing in accordance with Section 11 of this Article shall be entitled to one (1) vote on each matter submitted to a vote, and no member shall have the right to cumulate the member's vote. For the purposes of any vote of members on an All-Member Voting Matter, each member shall be counted only once, regardless of the number of classes to which the member may belong.

(b) Quorum for All-Member Voting Matters

At any meeting of members where at least one All-Member Voting Matter will be voted upon, 1/3 of the voting power (33.33%) represented in person or by proxy, shall constitute a quorum at a meeting of members. If a quorum of the voting members are not present or represented at a membership vote on any All-Member Voting Matter, the members entitled to vote thereat, present in person or by proxy,

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Comment [RM3]: Because the membership will be expanded from 114 voting members to 170 voting members if these restated bylaws are adopted, as requested, the quorum for "All-Member Voting Matters" has been reduced from a majority to 33.33%, which is the default under the code. However, a quorum for class votes of members is still a majority (see subsection (c) of Section 7 below).

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shall have the power to adjourn the meeting from time to time, until the requisite number of memberships shall be present. At such adjourned meeting at which the requisite amount of voting memberships shall be represented in person or by proxy, any business may be transacted which might have been transacted at the meeting as originally notified.

(c) Approval of All-Member Voting Matters

If a quorum is present at any membership meeting or vote where an All-Member Voting Matter will be submitted for a vote under subsection (b) of this Section above, the affirmative vote of a majority of the memberships entitled to vote on the matter and casting votes in person or by proxy shall be required for the approval of such matter unless a greater number of votes is required by the California Corporations Code or the corporation's Articles of Incorporation.

Section 7. VOTING RIGHTS AND QUORUM REQUIREMENTS FOR VOTES OF SPECIFIC MEMBERSHIP CLASSES

(a) Matters Allocated to Specific Classes

As provided in Section 3 of this Article, all meetings of members shall be open to all members and classes of membership, and all members have the right to vote on any All-Member Voting Matter, including any vote to elect directors to the Board.

In accordance with Article III, the Board of Directors is responsible for the day-to-day management of the corporation, including making all decisions and taking all actions necessary to (i) manage, operate, and control the corporation's water system and (ii) provide all Services to each membership class. As such, the Board, on behalf of the members, shall be responsible for taking action on all decisions and matters relating to the Services.

Notwithstanding the foregoing, if a matter requires the approval of a specific class of membership under applicable law or these Bylaws, including subsection (b) of this Section below, the votes on any such matter shall be as follows: (i) only Water Members shall vote on matters relating primarily to the corporation's water system and the Water Service it provides to Water Members, including any action affecting the rights of Water Members to receive water service appurtenant to their parcels, and such rights shall not be materially and adversely affected or diluted without approval of Water Members voting separately on any such matter; (ii) only Road Maintenance Members shall vote on matters relating to Road Maintenance Services and their rights as Road Maintenance Members shall not be materially and adversely affected or diluted without approval of these members voting separately on any such matter; and (iii) only Common Services Members shall vote on matters relating to Common Services, and their rights as Common Services Members shall not be materially and adversely affected or diluted without approval of these members voting separately on any such matter. Finally, (iv) any matter that materially affects more than one class of membership shall require the approval of each affected class, voting separately on each such matter, as well as satisfaction of the applicable quorum and voting requirements for each such class.

(b) When Class Voting is Required; Determination by Board.

Approval by a class of membership voting separately on a matter shall be required if (i) required

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Each member who is in good standing in accordance with Section 9 of this Article, below, shall be entitled to one (1) vote per membership on each matter submitted to a vote of the members and no member shall have the right to cumulate his or her votes.

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by applicable law, including California Corporations Code sections 7813 and 7150; (ii) the action would materially and adversely affect the rights, privileges, restrictions, or obligations of that class as compared to other classes; or (ii) these Bylaws expressly require approval by one or more specified classes.

The Board shall determine whether any matter submitted to the members: (a) requires a vote of the members generally; (b) requires approval of one or more classes; or (c) requires both general and class approvals, and that determination shall be stated in the notice of the member meeting at which that vote or those votes will take place.

(c) Class Quorum

For any matter requiring approval by a specific class of membership, a quorum of that class shall consist of a majority of the voting power (50% +1) of that class, represented in person or by proxy, determined separately and without regard to members of other classes. If a quorum of the voting members of a specific class of membership are not present or represented at a membership vote on any class vote, the members entitled to vote thereat, present in person or by proxy, shall have the power to adjourn the meeting from time to time, until the requisite number of memberships shall be present. At such adjourned meeting at which the requisite amount of voting memberships shall be represented in person or by proxy, any business may be transacted which might have been transacted at the meeting as originally notified.

(d) Separate Class Voting Rights and Conducting Class Voting at Member Meetings

For any matter requiring approval by a specific class of membership, the corporation may hold a single meeting of members, which may include votes on both All-Member Voting Matters and matters requiring approval by a specific class of membership, and conduct any required separate votes by membership class within that meeting, provided that (i) each class receives the vote it is entitled to and (ii) the quorum and notice requirements in these Bylaws are satisfied.

Where a class vote is required: (a) only members of that class in good standing under Section 11 of this Article shall be entitled to vote on the matter in their capacity as members of that class; (b) a member who belongs to more than one class may vote separately in each class in which the member holds voting rights; (c) no member shall have the right to cumulate the member's vote; and (d) votes shall be tabulated independently, by class.

(e) Class Votes and Approvals

If a class quorum is present under subsection (c) of this Section 7 above, the affirmative vote of a majority of the votes cast within that class, in person or by proxy, shall be required for the approval of such matter unless a greater number of votes is required by the California Corporations Code or the corporation's Articles of Incorporation.

Section 8. ADDITIONAL VOTING RIGHTS; MEMBERSHIPS IN NAMES OF TWO OR MORE PERSONS.

At all meetings of members, every member entitled to vote shall have the right to vote the number of votes standing in the member's name in the membership records of the corporation either (i) in-person

or (ii) by proxy or written ballot, which shall be submitted by mail or e-mail and shall remain confidential.

The Board of Directors may adopt other rules, regulations and procedures relating to member voting procedures and issues.

If a membership stands of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, spouses as community property, tenants by the entirety, persons entitled to vote under a voting agreement or otherwise, or if two or more persons (including proxyholders) have the same fiduciary relationship respecting the same membership, unless the secretary of the corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, such act binds all; or (ii) if more than one vote, the act of the majority so voting binds all.

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Section 9. PROXIES.

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Every member entitled to vote, or to execute consents, may do so, either in person or by written proxy, executed in accordance with the provisions of Section 7514 of the Corporations Code of California and filed with the Secretary of the Corporation.

No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Every proxy continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto, except as otherwise provided in this section. Such revocation may be effected by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting, or as to any meeting by attendance at such meeting and voting in person by the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed. [Corporations Code section 7613(b).]

Section 10. WRITTEN BALLOTS.

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Any action which may be taken at any regular or special meeting of members may be taken without a meeting if the corporation distributes a written ballot to every member entitled to vote on the matter. That 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 to the corporation. That ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the corporation. [Corporations Code section 7513(a).]

Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. [Corporations Code section 7513(b).]

Ballots shall be solicited in a manner consistent with the requirements of subdivision (b) of Section 7511 and Section 7514 of the Corporations Code. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and, with respect to ballots, other than for the election of directors, shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted. After a ballot has been received by the corporation, it may not be revoked or altered by the submitting member. [Corporations Code section 7513(c).]

Directors may be elected by written ballot under this section. [Corporations Code section 7513 (d).]

For as long as this corporation has 100 or more members, any form of proxy or written ballot distributed to 10 or more members shall afford an opportunity on the proxy or form of written ballot to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time the written ballot or proxy is distributed, to be acted upon at the meeting for which the proxy is solicited or by such written ballot, and shall provide, subject to reasonable specified conditions, that where the person solicited specifies a choice with respect to any such matter the vote shall be cast in accordance therewith. In any election of directors, any form of proxy or written ballot in which the directors to be voted upon are named therein as candidates and which 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 shall not be voted either for or against the election of a director. [Corporations Code section 7514.]

Section 11. GOOD STANDING; PROCESS FOR SUSPENSION.

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Those members who (i) have paid all the required fees and assessments in accordance with the Bylaws and (ii) are in compliance with all rules and regulations of the corporation are deemed to be members in good standing. For purposes of the Bylaws, "good standing" means that the member is not then suspended, is current in all monies owed to the corporation, and is not otherwise in violation of the corporation's policies or its rules and regulations. For a member to be suspended from voting his or her membership interest, the Board of Directors must determine if the member is not then in good standing at a duly noticed hearing held at a regular or special meeting of the Board upon at least seven (7) days' prior written notice to the member who is subject to the voting suspension. The member will be entitled at that hearing to present any evidence and witnesses in support of his or her position against the proposed suspension of voting rights.

Section 12. MEMBERSHIP RECORDS AND CERTIFICATES.

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(a) Book-Entry Membership.

The corporation shall maintain a record of its members, including the name, address, and class of membership held by each member (as applicable), in written or electronic form. As authorized by Corporations Code section 7313, the membership record may be kept by book-entry or in any other form capable of being converted into clearly legible paper form. Entry in such records shall constitute prima facie evidence of membership.

(b) No Requirement to Issue Certificates.

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The corporation shall not be required to issue membership certificates. Membership interests may be evidenced solely by the corporation's membership records. If and for as long as the corporation maintains a record of its members without issuing membership certificates with the restrictions that are required under subdivision (b) of Corporations Code section 7313, if a membership is to be transferred on the records of the corporation to a new transferee, the corporation shall give notice to the transferee, within a reasonable time after the corporation is first notified of the proposed transfer, and before the membership is transferred on the books and records of the corporation, of the information that would otherwise be provided by the legends required by paragraph (2) of subdivision (b) of Corporations Code section 7313. [Corporations Code section 7313(c).]

(c) Inspection Rights.

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The membership records shall be maintained in a manner that enables the corporation to comply with all member inspection rights under the California Corporations Code and these Bylaws.

Section 13. TRANSFER OF MEMBERSHIPS.

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Memberships in the corporation are not transferable or assignable except in connection with the transfer of the property to which the membership is appurtenant to a new owner or as otherwise provided in the Bylaws, including Article VII, below. All transfers of memberships shall be subject to: (i) Payment of a transfer fee established by the Board of Directors; and (ii) Payment of all indebtedness to the corporation of the member whose membership is being transferred and the corporation shall not transfer any membership when amounts resulting from unpaid assessments, rates or charges connected with the underlying land are owed to the corporation.

Section 14. TRANSFER OF MEMBERSHIPS ON THE BOOKS.

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Upon the presentation of a grant deed to the corporation showing ownership of a property in the Service Area that entitles the owner to membership, subject to the requirement in Section 12 above, it shall be the duty of the corporation to cancel the previous membership in the name of the previous owner/member and to record the transaction upon the books and membership register of the corporation.

Any member who sells that member's property to which a membership in the corporation is appurtenant must notify the corporation's Secretary of that transfer. Upon the closing of escrow of any sale, the purchaser of that property shall pay a transfer fee, in an amount established by the Board of Directors, to have the membership transferred and issued to that purchaser. Any such purchaser is encouraged to contact the corporation while escrow is still open and pending to ensure the membership account for the membership that is appurtenant to that property is current, as any such purchaser would be responsible for bringing the account current in order to receive water service or any other service provided by the corporation.

Any such purchaser must become a member of the corporation as specified in these Bylaws to

receive any services from the corporation. The Board may adopt rules requiring new or current members to enter into written contracts with the corporation outlining specific agreements, service terms, and restrictions pertaining to the services provided by the corporation to its members.

Section 15. RECORD DATE AND CLOSING MEMBERSHIP BOOKS.

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The Board of Directors may fix the time, in the future, not exceed thirty (30) days preceding the date of any meeting of members as a record date for the determination of the members entitled to notice of and to vote at any such meeting, and in such case only member of record on the date so fixed shall be entitled to notice of and to vote a such meeting, notwithstanding any transfer of any membership on the books of the corporation after any record date fixed as aforesaid. The Board Directors may close the books of the corporation against transfer of any membership during the whole or any part of such period.

Section 16. ISSUING MEMBERSHIPS FOR NEW CONSTRUCTION.

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When issuing a new Water Membership for a lot or outlot where a new single-family home is being constructed or will be constructed, the Board of Directors may set and collect appropriate fees and charges for (i) prior capital expenditures on the water system and (ii) any new expenditures necessary to provide Water Service to that Water Member's lots or outlot.

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ARTICLE III DIRECTORS; MANAGEMENT

Section 1. POWERS.

Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, and any limitations in the Articles of Incorporation and these Bylaws relating to action required to be approved by the voting members, the business and affairs of the corporation shall be managed, and all corporate powers shall be exercised by or under the direction of, the Board of Directors. The Board may delegate the management of the day-to-day operation of the business of the corporation, including operation of the water system, to a general manager, superintendent, or other person, provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. The Board's powers include all powers described in Article 5 of the Articles of Incorporation and necessary to manage, operate, and control the corporation's water system and provide the Services to the members, including maintaining, in good condition and repair, all Company Property and private roadways in the Service Area that the property owners served by which are jointly responsible for maintaining pursuant to the Judgments, and which the corporation has agreed to maintain and repair on behalf of the members in the Service Area in accordance with these Bylaws.

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Without prejudice to these general powers or any other powers or authority set forth in these Bylaws, and subject to the same limitations described above, the directors shall have the power to:

- (a) Select and remove all officers, agents, and employees of the corporation, subject to any power delegated to any appointed general manager relating to employment-related matters; prescribe any powers and duties for them that are not inconsistent with law, with the Articles of

Incorporation, and with these Bylaws; fix their compensation; and require from them security for faithful service.

- (b) Conduct, manage, and control the affairs and business of the corporation, and make such rules and regulations pertaining thereto that are not inconsistent with law, the Articles of Incorporation, or these Bylaws, as the Board may deem best.
- (c) Change the principal office of the corporation to another location within the County; to designate and place within the State of California for the holding of any meetings of members; and to adopt, make, and use a corporate seal, and to prescribe the form of membership certificates, and to alter the form of such seal and of such certificates from time to time, as in the directors' judgment they may deem best, provided, such seal and such certificates shall at all times comply with the provisions of the law.
- (d) Authorize the (i) creation of one or more classes of membership pursuant to Corporations Code section 7331 and (ii) issuance of memberships in the corporation from time to time to owners of land in the Service Area.
- (e) Borrow money and incur indebtedness on behalf of the corporation, and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other types of evidence of debt and securities; and to accept grants for the benefit of the corporation.
- (f) Administer or coordinate road-maintenance services for members owning parcels of property within the Service Area.
- (g) Adopt rules under Article 5 of the Articles of Incorporation to govern property uses that *materially affect water service* to properties owned by members in the Service Area, including transient or short-term rental uses.
- (h) Fix and define the rates, fees, and charges to be charged to members for the services provided by the corporation.
- (i) Levy, collect, and enforce assessments from its members for the purpose of raising funds for the corporation's purposes and to meet all capital expenditures in accordance with the provisions of Article VII below.
- (j) Adopt such rules and regulations, policies, and procedures as are necessary for the proper and efficient operation of the corporation and its water supply and distribution systems, including (i) implementing all measures necessary to conserve the corporation's water resources, and (ii) potentially limiting new active connections to the corporation's water system as the corporation's available water supply may allow or as may be prescribed by applicable governmental order or direction, and to comply with all water use and consumption limitations imposed by any governmental agency or officer.

- (k) Enter into any obligations or contracts or to do any acts in furtherance of or incidental to the corporation's purposes or the transaction of the corporation's business.

Section 2. NUMBER AND QUALIFICATION.

The authorized number of directors of the corporation shall be **five (5)**, until changed by amendment to the Articles of Incorporation or by an amendment to this Section 2, Article II of these Bylaws, adopted by vote or written assent of the members entitled to exercise the majority of the voting power of the corporation. Directors must be members in good standing of the corporation (that is, not be delinquent in any monies owed to the corporation, including any assessments, maintenance charges, water fees, and charges or other fees or charges) at the time of election and at all times while serving in that position.

All directors shall complete an ethics course as required by Health & Safety Code Section 116755.

Section 3. ELECTION AND TENURE OF OFFICE.

Directors shall be elected by ballot at the applicable annual meeting of members, to serve for two (2) year terms and until their successors are elected and have qualified. Their term of office shall begin immediately after election.

Section 4. VACANCIES.

Vacancies in the Board of Directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual meeting of members or at a special meeting called for that purpose.

The members may at any time elect a director to fill any vacancy not filled by the directors and may elect the additional directors at the meeting at which an amendment of the Bylaws is voted authorizing an increase in the number of directors.

A vacancy or vacancies shall be deemed to exist in case of the death, resignation, or removal of any director, or if the members increase the authorized number of directors but fail at the meeting at which such increase is authorized, or at an adjournment thereof, to elect the additional director so provided for, or in case the members fail at any time to elect the full number of authorized directors.

If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board, or the members, shall have power to elect a successor to take office when the resignation shall become effective.

No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 5. REMOVAL OF DIRECTORS.

The entire Board of Directors or any individual director may be removed from office as provided by

Sections 7222 and 7223 of the Corporations Code of the State of California.

Section 6. PLACE OF MEETINGS AND MEETINGS BY TELECONFERENCE.

Meetings of the Board of Directors shall be held at the principal office of the corporation in the State of California, as designated for that purpose, from time to time, by the Board of Directors.

Members of the Board of Directors may participate in a meeting through the use of conference telephone, and shall constitute presence at the meeting, so long as notice of the teleconferenced meeting is provided (including identifying at least one physical location where Eligible Persons, as defined in Section 10 of this Article, below, may attend) and all members of the Board participating in the meeting and any Eligible Person attending the meeting, can hear each other. All such directors shall be deemed to be present in person at the meeting. The Board may not conduct a meeting by a series of electronic transmissions, except in the event of an emergency meeting, as described in Section 9, below.

Section 7. ORGANIZATIONAL MEETING.

The organizational meeting of the Board of Directors shall be held immediately following the adjournment of the annual meeting of the members.

Section 8. OTHER REGULAR MEETINGS.

Regular meetings of the Board of Directors shall be held on the second Friday of June, August, October, December, February and April of each year at 3 o'clock p.m.

Section 9. SPECIAL MEETINGS; EMERGENCY MEETINGS.

Special meetings of the Board of Directors for any purpose or purposes shall be called at any time by the President or if he is absent or unable or refuses to act, by any Vice-president or any two directors. An emergency meeting of the Board may be called by the President, or by any two directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required by Section 10, below.

Section 10. BOARD MEETINGS; EXECUTIVE SESSIONS; NOTICE OF MEETINGS.

All Board of Directors' meetings shall be open to attendance by Eligible Persons ("*Eligible Persons*") means members, non-member customers who receive water service from the corporation, and any elected city or county official who represents people who receive drinking water from the corporation on a retail basis), except for executive sessions of the Board to discuss (a) pending or potential litigation; (b) contracts to be formed with third parties; (c) member discipline; provided that the member that is the subject of any fine, penalty or other discipline has the right to attend the executive session; (d) personnel matters; or (e) a member's payment of assessments where the member requests to meet in executive session. Any matters discussed in executive session of a Board meeting must be generally noted in the minutes of the Board meeting at which the executive session occurred. Any

Eligible Person who desires to attend a Board of Directors' meeting must provide at least twenty-four (24) hours' prior written notice of his or her intent to attend that meeting. Any Eligible Person who attends a Board meeting must be allowed to speak at the meeting, although the Board can establish a reasonable time limit for such comments.

Notice of the time and place of all Board meetings, except for emergency meetings, must be provided, as specified in this paragraph, to all Eligible Persons at least four (4) days before the meeting. Notice of the meeting must specify the time and place of the meeting and must include an agenda for the meeting, specifying the items to potentially be discussed and upon which action may be taken. Notice of the meeting shall be posted at the outside of the corporation's office, may be provided by e-mail to any Eligible Person if the Eligible Persons consents, and must be provided by mail to any Eligible Person who has requested mailed notice of the meetings; provided that the corporation may recover from the recipient the reproduction and mailing costs for that requested notice.

Notices of meetings shall be delivered to directors personally, by facsimile, by electronic mail or by telephone to each director or sent by first-class mail, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation, or as may have been given to the corporation by the director for purposes of notice, or, if such address is not shown on such records or is not readily ascertainable, at the place where the meetings of the directors are regularly held. Notice shall be provided to directors at least four (4) days before any Board of Directors' meeting.

Section 11. LIMITATIONS ON BOARD DISCUSSION AND ACTION.

Other than the exceptions listed in subdivision (i) of Corporations Code Section 14305, the Board of Directors may not discuss or take action on any item at a non-emergency Board meeting that is not placed on the agenda included in the notice for that meeting. Directors are also prohibited from taking action on any items outside of a Board meeting unless the item has been delegated by the Board to another person.

Section 12. NOTICE OF ADJOURNMENT.

Notice of the time and place of holding an adjourned meeting, held within 24 hours of adjournment, need not be given to absent directors in the time and place be fixed at the meeting adjourned.

Section 13. QUORUM.

A majority of the number of directors as fixed by the Articles of Incorporation or Bylaws shall be necessary to constitute a quorum for the transaction of business, and the action of a majority of the directors present at any meeting at which there is a quorum, when duly assembled, is valid as a corporate act; provided that a minority of the directors, in the absence of a quorum, may adjourn from time to time, but may not transact any business.

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Section 14. VIOLATION OF OPEN MEETING REQUIREMENTS.

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If an Eligible Person alleges the Board of Directors has violated the open meeting requirements specified in this article, before filing a legal action regarding that alleged violation, the Eligible Person must make a demand on the Board of Directors to cure or correct the alleged violation. The demand must be in writing and must be submitted to the Board of Directors within ninety (90) days from the date the alleged violation occurred. The demand must state the Board action being challenged and the nature of the alleged violation. Within thirty (30) days of receipt of the demand, the Board must cure or correct the challenged action and inform the Eligible Person in writing of its actions to (a) cure or correct the challenged action (or not to cure or correct the action), or (b) inform the Eligible Person in writing of the Board of Directors' decision not to cure or correct the challenged action.

Within fifteen (15) days of receipt of the written notice of the Board of Directors' decision to cure or correct or not to cure or correct, or within fifteen (15) days of the expiration of the 30-day period to cure or correct, whichever is earlier, the Eligible Person may commence legal action. If the Eligible Person fails to commence the action within that fifteen (15) day period, the Eligible Person is then barred from later commencing the action.

Section 15. PERFORMANCE OF DUTIES BY DIRECTOR; LIABILITY.

- (a) A director shall perform the duties of a director, including duties as a member of any committee of the Board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation and its members and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.
- (b) 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, in each case prepared or presented by any of the following:
 - 1) One or more officers or employees of the corporation whom the director believes to be reliable and competent in the matters presented.
 - 2) Counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence.
 - 3) A committee of the Board upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence, so long as, in any such case, the director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.
- (c) A person who performs the duties of a director in accordance with subdivisions (a) and (b) shall have no liability based upon any alleged failure to discharge the person's obligations as a director.

Section 16. CONTRACTS WITH DIRECTORS.

No director of the corporation nor any other corporation, firm, association, or other entity in which one or more of the corporation's directors are directors or have a material financial interest, shall be interested, directly or indirectly, in any contract or other transaction with the corporation unless: (a) the material facts as to the transaction and such director's interest are fully disclosed or known to the members and such contract or transaction is approved by the members in good faith, with any membership owned by any interested director not being entitled to vote thereon, or (b) the material facts regarding such director's financial interest in such contract or transaction or regarding such common directorship, officership, or financial interest are fully disclosed in good faith and are noted in the minutes or are known to all directors before consideration by the Board of Directors of such contract or transaction, and such contract or transaction is authorized 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.

Section 17. LOANS TO DIRECTORS AND OFFICERS.

The corporation shall not lend any money or property to, or guarantee the obligation of, any director or officer of the corporation unless: (a) the Board of Directors decides that the loan or guaranty may reasonably be expected to benefit the corporation; and (b) before consummating the transaction or any part of it, the loan or guaranty is approved by either the members, without counting the vote of the director or officer, if that director or officer is a member, or 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.

Section 18. COMPENSATION OF DIRECTORS.

Directors and members of committees may not receive compensation for their services. They may be reimbursed for personal expenses, as may be fixed or determined by resolution of the Board.

Section 19. INDEMNIFICATION.

The corporation shall, to the maximum extent permitted by the California Nonprofit Mutual Benefit Corporation Law, have power to indemnify each of its agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact any such person is or was an agent of the corporation, and shall have power to advance to each such agent expenses incurred in defending any such proceeding to the maximum extent permitted by that law. For purposes of this section, an "agent" of the corporation includes any person who is or was a director, officer, employee, or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, or was a director, officer, employee, or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

ARTICLE IV OFFICERS

Section 1. OFFICERS

The officers shall be a President, one or more Vice-Presidents, a Secretary and a Treasurer, which officers shall be elected by, and hold office at, the pleasure of the Board of Directors.

Section 2 ELECTION.

After their election, the directors shall meet and organize by electing a President from their own number, and one or more Vice-Presidents, a Secretary and a Treasurer, who may, but need not be, members of the Board of Directors. Any two or more of such offices except those of President and Secretary, may be held by the same person.

Section 3. TENURE OF OFFICE.

The tenure of office of all the officers of the corporation shall be fixed by the Board of Directors.

Section 4. REMOVAL AND RESIGNATION.

Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Board of Directors or to the President, or to the Secretary of the corporation. Any such resignation shall take effect at the date of the receipt if such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. 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.

Section 6. PRESIDENT.

The President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the corporation. He or she shall preside at all meetings of the members and of the Board of Directors. He or she shall be ex-officio a member of all the standing committees, including the executive committee, if any, and shall have the general powers and duties of management usually vested in the office of President of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

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Section 7. VICE-PRESIDENTS.

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The Vice-Presidents shall, in the order designated by the Board of Directors, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors shall prescribe.

Section 8. SECRETARY.

The Secretary shall keep, or cause to be kept, a book of minutes at the corporation's principal office or such other place as the Board of Directors may order, of all meetings of directors and members, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office or at the office of the corporation's transfer agent, a membership register, or a duplicate membership register, showing the names of the members and their addresses; the number and classes of memberships held by each; the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all the meetings of the members and of the Board of Directors required by the Bylaws or by law to be given; he or she shall keep the seal of the corporation and affix said seal to all documents requiring a seal, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

Section 9. TREASURER.

The Treasurer shall receive and keep all the funds of the corporation and pay them out only on the check of the corporation, signed in the manner authorized by the Board of Directors.

Section 10. ASSISTANTS.

Any Assistant Secretary or Assistant Treasurer, respectively, may exercise any of the powers of Secretary or Treasurer, respectively, as provided in these Bylaws or as directed by the Board of Directors, and shall perform such other duties as are imposed upon them by the Bylaws or the Board.

ARTICLE V EXECUTIVE AND OTHER COMMITTEES

The Board of Directors may appoint an executive committee, and such other committees as may be necessary from time to time, consisting of such number of its members and with such powers as it may designate, consistent with the Articles of Incorporation and Bylaws and the Nonprofit Mutual Benefit Corporation Laws of the State of California. Such committees shall hold office at the pleasure of the Board.

**ARTICLE VI
CORPORATE RECORDS AND REPORTS — INSPECTION**

Section 1. RECORDS.

The corporation shall maintain adequate and correct accounts, books, and records of its business and properties, which shall be kept at its principal place of business in the State of California.

Section 2. INSPECTION OF BOOKS AND RECORDS.

All books and records provided for in Section 8320 of the Corporations Code of California shall be open to inspection by the directors and members from time to time and in the manner therein provided. In addition, all books and records in Corporations Code section 14307 shall be made promptly available upon written request to an Eligible Person. Requests for such records described in the preceding sentence are limited to the three (3) calendar years preceding the date of the Eligible Person's request. Minutes of any Board meeting must be made available within thirty (30) days after the meeting to which such minutes relate, and the corporation's budget shall be made available within thirty (30) days after the meeting at which the budget was adopted. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts. A person requesting copies of any records from the corporation under this Section must reimburse the corporation for all direct copying and postage costs incurred in connection with the photocopying and delivery of the requested records.

Section 3. CERTIFICATION AND INSPECTION OF BYLAWS.

The original or a copy of these Bylaws, as amended or otherwise altered to date, certified by the Secretary, shall be open to inspection by any member, as provided in Section 7160 of the Corporation Code of California.

Section 4. CHECKS, DRAFTS, ETC.

All checks, details, or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons, and in such manner as shall be determined from time to time by resolution of the Board.

Section 5. CONTRACTS, ETC. — HOW EXECUTED.

Except as otherwise provided in the Bylaws, the Board of Directors may authorize any officers or agents to enter into any contract or execute any instrument in the name of and on behalf of the corporation. Such authority may be general or confined to specific instances. Unless authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement, or to pledge its credit, or to tender it liable for any purpose or to any amount.

Section 6. ANNUAL REPORT.

Pursuant to Corporations Code Section 8321, the Board of Directors shall cause the corporation to notify each member yearly of the member's right to receive a financial report in accordance with that section. The corporation shall prepare the annual financial report not later than one hundred twenty (120) days after the close of the corporation's fiscal year. Upon written request of a member, the Board of Directors shall promptly cause the most recent annual report to be sent to the requesting member. The annual financial report shall consist of a balance sheet as of the closing date of such fiscal year, and an income statement and statement of changes in financial position for that fiscal year. The annual report shall also include a statement of the place where the names and addresses of the current members are located and any information required under Corporations Code Section 8322 regarding transactions with interested persons. The financial statements included in the annual report shall be certified by the President, Secretary, Treasurer or a public accountant.

The corporation will complete the annual Consumer Confidence Report (CCR) and mail or e-mail it to all Water Members no later than June 1 of each year.

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Section 7. ANNUAL FINANCIAL REVIEW; BUDGET.

In accordance with Corporations Code section 14307, the corporation shall (i) prepare and adopt in an open meeting a budget prior to the commencement of each fiscal year; and (ii) engage a certified public accountant or public accountant to conduct an annual review of the corporation's financial records and reports in accordance with generally accepted accounting principles of the corporation's financial statements and financial reports.

ARTICLE VII RATES, CHARGES, ASSESSMENTS AND WATER SERVICE

Section 1. RATE STRUCTURE; OTHER FEES AND CHARGES.

The Board may establish a rate structure to fairly allocate costs among the respective classes of members and/or may fix rates, fees, and charges from time to time. The purpose is to raise funds to meet all capital expenditures in connection with providing Water Service to Water Members, Road Maintenance Services to Road Maintenance Members, and Common Services to Common Services Members in a fair and equal manner, so the cost of providing these separate Services is done in a fair and equal manner that will not result in cross-subsidies among the three classes of membership.

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Rates, fees, and charges may be used to raise funds to pay for: (i) Services provided by the corporation to each class of membership; (ii) extensions or improvements of those Services; (iii) any shortfall in operating or maintenance costs; and (iv) other expenditures necessary to carry out the purposes of this corporation. The Board may take all lawful actions to collect any delinquent amounts owed.

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Section 2. LEVYING ASSESSMENTS.

The Board may establish, levy, and collect assessments from its members in addition to any rates, fees, and charges adopted under Section 1 of this Article for the purpose of paying all maintenance

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and operating expenses in lieu of monthly or more regular rates, fees, and charges for each of the Services, on a basis of what service is provided or what obligation of the member exists concerning the uses made of the lot in the Service Area to which the membership interest is appurtenant, provided that such assessments shall be established so they do not result in a subsidy among the classes of membership interest. Assessments may be used to cover maintenance, operating expenses, and/or other lawful costs that benefit the corporation and its members.

Assessments will be allocated based on Services provided, or obligations related to the use of the lot within the Service Area to which the membership interest is appurtenant (tied to the parcel). Each assessment will be fair, just, equitable, lawful, and related in amount to its intended purpose, as determined by the Board in its sole discretion. Member approval shall not be required for an assessment. All costs and revenues associated with each class of service shall be accounted for separately from the other classes of services provided by the corporation, and all costs for capital improvements shall be allocated among the classes in proportion to any benefits received by the respective classes, as the Board shall determine. Administrative and overhead costs will be allocated among all classes in the reasonable discretion of the Board.

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Section 3. GENERAL ASSESSMENTS.

Pursuant to Corporations Code section 7351, the Board may periodically establish, levy, and collect assessments from its members to raise funds for the corporation's general purposes and to fund the Services provided to its members, including, but not limited to, (i) the Road Maintenance Services that are incidental to providing Water Service to Water Members and costs relating to such; and (ii) services and costs relating to the ownership, operation, management, and improvement of the Company Property, subject to the limitations in Section 1 of this Article, above, and the guidelines set forth in the 1973 Judgment pertaining to assessments levied upon property owners in the Service Area for road maintenance services.

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The Board of Directors shall also have authority, if one or more Road Maintenance Member's use of the roads for which the corporation has undertaken maintenance and repair results in extraordinary wear and tear to those roads, to assess that member or those members charges for the repair of such extraordinary wear and tear. The Board's determination of extraordinary wear and tear shall be final and binding upon the member or members whose use results in extraordinary wear and tear to those roads.

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Section 4. ASSESSMENTS FOR WATER SERVICES AND WATER SYSTEM FACILITIES.

In addition to the assessment rights discussed in Section 3 of this Article above, pursuant to Corporations Code section 14303, the Board may periodically establish, levy, and collect assessments from Water Members for (i) expenditures and capital improvement costs pertaining to the installation, maintenance, operation, and expansion of the pipelines and water system owned by the corporation and to (ii) fund a reserve for the replacement of its water system facilities to ensure compliance with state and federal Safe Drinking Water Acts. Any Water Member assessment shall be subject to the limitations in Section 1 of this Article and proportionate to each Water Member's interest or water-right entitlement unless otherwise provided in these Bylaws or approved by a majority of the Board.

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Section 5. ADOPTION AND NOTICE OF ASSESSMENTS.

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The levying of all assessments pursuant to this Article shall be adopted from time to time as deemed necessary and appropriate: (i) at a properly noticed Board meeting; (ii) by a majority of the Board; and (iii) memorialized in a written resolution adopted stating the reason for the assessment. Notice of all assessments shall be mailed postage prepaid from the office of the corporation to each member that is subject to the assessment at their addresses on file with the Secretary, and any such assessments shall be delinquent thirty (30) days from the date of the Board meeting at which the assessment was adopted.

Section 6. DELINQUENT PAYMENT OF ASSESSMENTS, RATES, AND CHARGES; LIENS.

Each charge, rate, and assessment imposed on a member shall constitute a lien on the member's real property in the Service Area to which the member's membership is appurtenant, and each member shall be personally liable to the corporation for all amounts assessed or charged against the member's membership standing upon the books of the corporation in the name of such member.

Delinquent rates and charges imposed for services provided by the corporation or delinquent assessments levied by the Board hereunder shall be subject to such penalties as may be fixed by the Board from time to time. Failure of any member to pay any assessment, rate, or charge when due may, in the discretion of the Board and as applicable, constitute a forfeiture of the member's right to continue to receive the service or services the corporation provides to that member and the property to which the membership is appurtenant.

(a) Security Interest and Lien Rights.

Upon any such delinquency in the payment of monies owed to the corporation by a Water Member for (i) Water Service or (ii) Road Maintenance Services (they receive as a Water Member because Road Maintenance Services are incidental and necessary to providing Water Service), in accordance with Corporations Code section 14304, the Board may, after providing no less than 20 days' advance written notice to the Water Member, perfect the lien by the recording of a notice of lien with the Madera County Recorder against that Water Member's property to secure the collection of the delinquent rates, charges, or assessments owed to the corporation. Any such claim of lien shall include all collection costs the corporation has incurred through the date of recording of the lien (including, but not limited to, recording fees, attorneys' fees, notary fees and postage and photocopying costs), as well as interest and late charges that have accrued and continue to accrue on the amount owing to the corporation, at rates established by the Board from time to time. The corporation shall comply with applicable law in the event it becomes necessary to foreclose upon the lien to collect monies owed to the corporation.

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(b) Termination of Water Service; Additional Rights and Remedies.

In addition to the lien and enforcement rights to collect delinquent monies owed to the corporation by Water Members under subsection (a) of this Section above, (i) Water Service to Water Members or any Water Membership appurtenant to land in the Service Area upon which water charges and assessments become delinquent may be terminated in accordance with the corporation's adopted rules or policies pertaining to the termination of water service for nonpayment; (ii) the Water

Membership and all water delivery rights thereunder may be suspended or forfeited to the corporation, as specified in subsection (d) of this Section 6 below; and (iii) the corporation may pursue a civil action for collection against the holder of the delinquent membership.

(c) Delinquent amounts owed by Members that do not receive Water Service

Upon any such delinquency in the payment of monies owed to the corporation by a Road Maintenance Member or Common Services Member that is not also a Water Member, the corporation is authorized to take any actions authorized by California law or these Bylaws to collect those amounts, pursuant to a majority vote of the Board of Directors at a properly noticed public meeting, which may include, at the Board's sole discretion, and subject to any restrictions imposed by the Articles of Incorporation, these Bylaws, or California law, to exercise one or more of any of the following remedies: (i) causing a civil lawsuit to be filed against the Road Maintenance Member or Common Services Member to collect all unpaid amounts; (ii) suspending or terminating the Road Maintenance Member's or Common Services Member's membership, or any rights thereunder, including the Common Services Member's right to use and access any Company Property, in accordance with subsection (d) of this Section below; and/or (iii) perfecting the corporation's lien on all delinquent amounts in accordance with subsection (a) of this Section, above, by recording of a notice of lien with the Madera County Recorder against the member's property to secure the collection of the delinquent amounts. The corporation shall comply with applicable law in the event it becomes necessary to foreclose upon any such lien to collect monies owed to the corporation.

(d) Suspensions and Terminations of Memberships.

For purposes of this subsection, a "suspension" shall mean a temporary suspension of the member's rights as a member, including the right to receive any class of services they receive from the corporation or to vote on matters requiring the vote of members; and a "forfeiture" shall mean the termination of the member's membership in the corporation and the transfer of that membership to the corporation.

If a member is delinquent in paying any rates, fees, charges, or assessments owed to the corporation or the member has violated any rule or regulation of the corporation and not cured that violation within ten (10) days of the date the corporation gave the member notice of that violation, the Board may provide notice to the member of, in the Board's discretion, the possible suspension or forfeiture and termination of the member's membership. The corporation shall abide by the procedural requirements pertaining to expulsion, suspension, or termination of a membership in Corporations Code section 7341 and give the member at least fifteen (15) days' prior written notice of the proposed suspension or forfeiture/termination, along with the reasons for that proposed action. The member shall have an opportunity to be heard, orally or in writing, at least five (5) days before the Board takes action on the proposed suspension or forfeiture/termination.

Upon any forfeiture of a membership, the member shall surrender any membership certificate or other form of evidence that may have been issued as evidence of that membership, to the corporation upon completion of the forfeiture process. Water Memberships which have been forfeited for failure to pay water charges or assessments may be recovered by the original owner, by the payment of the charges or assessments together with any applicable late charge and interest on such sums, from the time they became delinquent, provided the person or persons making application for recovery tender

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Comment [RM4]: Note: When it comes to the enforcement and collection of any delinquent amounts owed by (i) Road Maintenance Members or (ii) Common Services Members that do not receive water service from the company, because the company is not a common interest development/HOA entity that's subject to and governed by the Davis-Stirling Act -- which provides specific lien and assessment authority to these entities to enforce the collection of charges and assessments levied for common area maintenance -- if one of the above members fails to pay any delinquent amounts owed to the company, its remedies are likely limited to (a) collection by a civil suit and entry of a judgment (which can be enforced as a judgment lien); (b) suspension/expulsion/forfeiture of membership rights, including access to and use of the club house and common areas (although this may be difficult to enforce); and/or (c) any remedies set forth in contracts between the company and these members. This can include taking the position that these bylaws constitute a "contract" with these members that establishes a lien right pursuant to Civil Code §2881.

Accordingly, the company should have all non-water members sign a simple agreement stating that by accepting membership in the company and receiving the non-water services they receive from the company, the member agrees to be bound by the terms and conditions in these bylaws and any rules and policies adopted by the Board concerning services provided to these voluntary members.

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to the corporation the amount required as aforesaid.

Section 7. ENTITLEMENT TO WATER.

A membership in the corporation for which the member opts to receive water service from the corporation ~~(a Water Member)~~ entitles that ~~Water Member~~ and owner of land in the Service Area to supply one single-family dwelling located on the land to which the ~~Water Membership~~ was issued with water, which supply shall be appurtenant to the lot. Subdivisions in the Service Area in which a guest house is permitted in addition to the main residence may use one ~~Water Membership~~ of water to serve both dwellings. The water pipe furnished to each lot shall be no larger or smaller than a $\frac{3}{4}$ " pipe and shall feed no more than two $\frac{3}{4}$ " pipes, each pipe feeding a separate lot. The water owned by this corporation shall only be sold, distributed, supplied or delivered to ~~Water Members~~ of the corporation, with domestic and irrigation use only upon land to which a ~~Water Membership~~ is appurtenant, except as may otherwise be permitted under Section 2705 of the Public Utilities Code without making the corporation a public utility or subject to the jurisdiction of the Public Utilities Commission.

Section 8. HOOKUPS TO SYSTEM.

All new resident hookups ~~to land owned by Water Members~~ must be inspected and approved by a representative of the corporation. Only outlets of $\frac{3}{4}$ " size will be approved. The use charge will be prorated from the date of approval.

Section 9. REPAIRS ON PRIVATE PROPERTY.

It is the responsibility of each ~~Water Member~~ to make immediate repairs to a water leak on his/her property, and if a ~~Water Member~~ fails to make such immediate repairs, the corporation has the right to shut off water supply to the ~~Water Member's~~ lot with no liability to the corporation.

Section 10. LOT SPLIT.

~~In the event of a lot split of a lot in the Service Area that receives Water Service from the corporation, delivery of water will only be made to one lot unless and until the Board takes action to issue a new Water Membership to the owner of the new lot created by the division of that lot.~~

Section 11. SWIMMING POOLS.

Water supplied by the corporation ~~to Water Members~~ is for domestic and irrigation purposes only and the corporation will not furnish water for filling or maintaining a swimming pool.

Excluded from the limitation on swimming pools are children's pools and therapeutic pools not exceeding 600 gallons.

The Board of Directors will consider exceptions to this restriction on an individual basis by application filed with the corporation. At that time, the Board will make a determination on whether to allow the pool and the conditions to be imposed, such as metering of the water, installing pumps for personal fire protection, and whether sufficient water is available to fill the pool.

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ARTICLE VIII CORPORATE SEAL

The corporation's corporate seal shall be circular in form and shall have inscribed thereon the name of the corporation, the date of its incorporation, and the word California.

ARTICLE IX DISSOLUTION

Section 1. DISSOLUTION.

In the event the corporation is dissolved, after paying or providing for the payment of all debts of the corporation, each current member in good standing under Article II, Section 11 of these Bylaws, above, shall receive a proportionate share of the corporation's property and assets allocated to the member's class or classes of membership, based on the member's share of ownership in relation to the total issued and outstanding membership for that class or those classes.

ARTICLE X AMENDMENTS TO BYLAWS

Section 1. BY MEMBERS.

New Bylaws may be adopted, or these Bylaws may be repealed or amended, at the annual meeting of members or at any other meeting of the members called for that purpose, by a vote of a majority of members in good standing under Article II, Section 11 of these Bylaws, above, entitled to exercise a majority of the voting power of the corporation, or by written assent of such members.

Section 2. POWERS OF DIRECTORS.

Subject to the right of the members to adopt, amend, or repeal Bylaws, as provided in Section 1 of this Article, the Board of Directors may adopt, amend or repeal any of these Bylaws other than a Bylaw or amendment changing the authorized number of directors.

Section 3. RECORD OF AMENDMENTS.

Whenever an amendment or new Bylaw is adopted, it shall be copied in the Book of Bylaws with the original Bylaws, and all amendments to such thereafter, and maintained by the corporation in the appropriate place. If any Bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or written assent was filed shall be stated in said book.

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Deleted: memberships. For the purposes of this Article, a member in good standing is any person who has been issued a membership in the corporation that has not been cancelled and who is not delinquent in the payment of any monetary sums to the corporation.

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CERTIFICATE OF SECRETARY

I, Ken Trapp, hereby certify that:

(1) I am the duly elected and acting Secretary of Cascadel Mutual Water Co., a California nonprofit mutual benefit corporation; and

(2) The preceding Restated Bylaws, consisting of twenty-seven (27) pages, including this page and the **Exhibit A** attached to this certificate, constitute the Bylaws of the corporation, and they were duly adopted by (i) a majority vote of all voting members at a duly held special meeting of members held on XXXXXXXX XX, 2026 and (ii) a majority vote of the corporation's board of directors at a regular meeting on XXXXXXXX XX, 2026, and they have not been amended or modified since being approved by the members and the board of directors on the above-described dates.

Executed on XXXXXXXX XX, 2026, at North Fork, California.

Ken Trapp, Secretary

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Exhibit A

Service Area

The corporation's Service Area consists of the following areas of land:

Cascadel Woods Subdivision No. 1 as recorded in Vol. 7 of Maps, page 37, Madera County Records;

Cascadel Woods Subdivision No. 2, Tract No. 24, as recorded in Vol. 7 of Maps, pages 76 and 77 Madera County Records;

Cascadel Woods Subdivision No. 4, Tract No. 119⁴, as recorded in Vol. 9 of Maps, pages 146 to 150 inclusive, Madera County Records; and

Property adjacent to Cascadel Woods Subdivisions No.1, No. 2, and No. 4, which is described as follows:

The West half of the Southwest quarter of Section 15 and the South half of Section 16, all in Township 8, South, Range 23 East, MDB & M, according to official Government Township Plats thereof. EXCEPTING THEREFROM that portion lying within Cascadel woods Subdivisions No. 1, No. 2 and No. 4. FURTHER EXCEPTING THEREFROM that portion of Section 16 lying South of the Southerly boundary Cascadel Road as said Road is shown on Map of Cascadel Woods No.4, said parcel being bounded on the Northerly and Easterly sides by said Cascadel Road, on the South by the South line of Section 16, Township 8 South, Range 23 East, and on the West by a line extending due South from the Southeast corner of Lot 39, Cascadel Woods No. 4, Tract No. 119 to the point of intersection of the South of Section 16.

⁴ Updated from "Tract No. 24" to reflect the legal description used by the Court in the 1974 Judgment.

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The total number of memberships which the corporation is authorized to issue is one membership for each lot or outlot within the corporation's Service Area upon which a single-family dwelling is constructed.		
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The previous qualifier in Article II, Section 1 of the bylaws, which required a single-family dwelling to be constructed on a lot before the owner can be issued a membership, has been removed.		
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be limited to owners of land within the Service Area.		
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and the following rights or services from the corporation: (i) water for beneficial use upon the member's lands;		
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toward the shared road maintenance obligation under		
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in the Service Area pursuant to these Bylaws.		
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