

**AMENDED BYLAWS FOR THE REGULATION, EXCEPT AS
OTHERWISE PROVIDED BY STATUTE OR ITS
ARTICLES OF INCORPORATION
OF
LAS VENTANAS RANCH
MUTUAL BENEFIT WATER COMPANY
a California non-profit mutual benefit corporation**

Amended 4/1/15

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of

**LAS VENTANAS RANCH
MUTUAL BENEFIT WATER COMPANY
a California non-profit mutual benefit corporation**

April , 2015

**ARTICLE I
OBJECTS AND PURPOSES**

The objects and purposes of this Corporation (“Corporation”) shall be to develop, distribute, supply, and deliver water to its members or their lessees at actual cost plus necessary expenses for domestic uses consistent with the Declaration of Covenants, Conditions, and Restrictions for Las Ventanas Ranch (Tract 2408 Phase II), County of San Luis Obispo, State of California (“CC&R’s”). The Corporation shall be authorized to do whatever may be deemed necessary, conducive, incidental, or advisable to accomplish and promote said objects or purposes, including, but not limited to, any one or more of the following:

- a. Construct, lease, maintain, and operate a water system facility;
- b. Acquire, own, lease, or develop water, water rights, or water-bearing lands;
- c. Pay all taxes, utilities, charges, and assessments by which to further the foregoing objects and purposes;
- d. Capitalize and maintain a “Repair and Replacement Fund” with sufficient funds to provide for the repair or replacement of the Corporation’s water supply, distribution, and fire protection systems; and,
- e. Any other act or thing in any way connected with the foregoing or related to the objects and purposes of the Corporation.

The Corporation is a non-profit, mutual benefit corporation, organized under the California Non-profit Mutual Benefit Corporation Law (“Non-profit Mutual Benefit Corporation Law”) and does not contemplate pecuniary gain or profit to its directors, officers, or members. The Corporation will not engage in the distribution of any pecuniary gains, profits, or dividends to its directors, officers, or members, and is organized and will operate solely for the purpose of developing an adequate supply of water, and constructing, maintaining, and replacing as necessary systems for the collection, purification, fire protection, and distribution to its members, or their lessees, at actual cost plus necessary expenses.

ARTICLE II **MEMBERS**

SECTION 1. Definition.

Members of the Corporation shall be the owners of lots or Lots of land within the Service Area of the Corporation described in Article XII of these Bylaws, which shall number not more than fifty-five (55) lots. A lot or Lot of land held as community property shall qualify the owners therefore for only one (1) membership certificate in the Corporation, which certificate shall be in the name of both spouses. As to any lot or Lot of land held in joint tenancy, tenancy in common, in the name of a partnership, or in any other way, only one (1) person of any number of such co-owners shall be named as a member of the Corporation.

SECTION 2. Eligibility for Holding Membership.

All persons who become owners of lots or Lots of land located within the Service Area shall, by reason of such ownership, become a member of the Corporation and be issued one (1) membership certificate in the Corporation for each lot or Lot so owned. Notwithstanding the foregoing, the Board of Directors of the Corporation is empowered to consider special circumstances from time to time not covered herein and issue memberships and determine eligibilities for becoming a member, based on such circumstances subject to notification to the members and approval of a majority of the voting members.

SECTION 3. Transfer of Membership.

Membership in the Corporation is transferable or assignable only with a transfer or conveyance of a lot or Lot of the land to which it is appurtenant. See Article XIII of these Bylaws for further information regarding the transfer or replacement of membership certificates.

ARTICLE III **OFFICES**

SECTION 1. Principal Office.

The principal office for the transaction of the business of the Corporation is hereby fixed at 2900 Lopez Drive, Arroyo Grande, California, 93420, in the County of San Luis Obispo, State of California. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another in said County.

SECTION 2. Other Offices.

Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

ARTICLE IV
MEETINGS OF MEMBERS

SECTION 1. Place of Meeting.

All annual meetings of the members shall be held at the principal office of the Corporation, and all other meetings of members shall be held at either the principal office, or any other place within or without the State of California which may be designated by the written consent of all members entitled to vote, given either before or after the meeting and filed with the Secretary of the Corporation.

SECTION 2 Annual Meetings.

The annual meeting of the members shall be held on the 15th day of March in each year, if not a legal holiday, and if a legal holiday, then on the next succeeding business day, at the hour of 7:00 p.m., at which meeting Directors shall be elected, reports of the affairs of the Corporation shall be considered, and any other business may be transacted which is within the powers of the members.

Notice of all such annual meetings of members shall be given as provided in Section 4 of this Article IV.

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 any one or more members holding not less than one-tenth (1/10th) of the voting power of the Corporation. Except in special cases where express provision is made by statute, notice of such special meetings shall be given in the manner provided by Section 4 of this Article IV.

SECTION 4. Notice of Meetings.

a. General Notice Requirements.

Whenever members are required or permitted to take any action at a meeting, written notice of the meeting shall be given, in accordance with Section 4c of this Article IV to each member entitled to vote at that meeting. The notice shall specify the place, date, and hour of the meeting and, (1) for a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (2) for the annual meeting, those matters that the Board, at the time notice is given, intends to present for action by the members, but, except as provided in Section 4b of this Article IV, any proper matter may be presented at the meeting. The notice of any meeting at which directors are to be elected shall include the names of all persons who are nominees when notice is given.

b. Notice of Certain Agenda Items.

Approval by the members of any of the following proposals, other than by unanimous

approval by those entitled to vote, is valid only if the notice or written waiver of notice states the general nature of the proposal or proposals:

- (1) Removing a director without cause;
- (2) Filling vacancies on the Board;
- (3) Amending the Articles of Incorporation;
- (4) Approving a contract or transaction between the Corporation and one or more directors, or between the Corporation and any entity in which a director has a material financial interest;
- (5) Electing to wind up and dissolve the Corporation; or
- (6) Approving a plan of distribution of assets, other than money, not in accordance with liquidation rights of any class or classes as specified in the Articles or Bylaws, when the Corporation is in the process of winding up.

c. Manner of Giving Notice.

Notice of any meeting of members shall be in writing and shall be given at least ten (10) but no more than ninety (90) days before the meeting date. The notice shall be given either personally or by first class, registered, or certified mail, or by other means of written communication, charges prepaid, and shall be addressed to each member entitled to vote, at the address of that member appearing on the books of the Corporation or at the address given by the member to the Corporation for purposes of notice. If no address appears on the Corporation's books and no address has been so given, notice shall be deemed to have been given if either (1) notice is sent to that member by first class mail or telegraphic or other written communication to the Corporation's principal office, or (2) notice is published at least once in a newspaper of general circulation in the County in which the principal office is located.

d. Affidavit of Mailing Notice.

An affidavit of the mailing of any notice of any members' meeting, or of the giving of such notice by other means, may be executed by the secretary, assistant secretary, or any transfer agent of the Corporation, and if so executed, shall be filed and maintained in the Corporation's minute book.

SECTION 5. Adjourned Meetings and Notice Thereof.

Any members' meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the members represented at the meeting, either in person or by proxy. No meeting may be adjourned for more than forty-five (45) days. When a members' meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which adjournment is taken. If, after adjournment, a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each member who, on the record date for notice of the meeting, is entitled to vote at the meeting. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting.

SECTION 6. Waiver of Notice or Consent.

a. Written Waiver or Consent.

The transactions of any members' meeting, however called or noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (1) a quorum is present either in person or by proxy, and (2) either before or after the meeting, each member entitled to vote, who is not present in person or by proxy, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes. The waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of any meeting of members, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 4 of the waiver or notice, consent, or approval shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the Corporate records or made a part of the minutes.

b. Waiver by Attendance.

A member's attendance at a meeting shall also constitute a waiver of notice of and presence at that meeting, unless the member objects at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

SECTION 7. Quorum.

a. Percentage Required.

Twenty percent (20%) of the voting power shall constitute a quorum for the transaction of business at any meeting of members, provided, however, that if any regular or annual meeting is actually attended in person or by proxy by less than one-third (1/3) of the voting power, the only matters that may be voted on are those of which notice of their general nature was given under the first and second sentences of Section 4a of this Article IV.

SECTION 8. Proxies.

a. Rights of Members.

Every person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such person or his/her duly authorized agent and filed with the Secretary of the Corporation. A proxy shall be deemed signed if the member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the member or the member's attorney-in-fact.

b. Requirement That General Nature of Subject of Proxy Be Stated.

Any revocable proxy covering matters for which a vote of the members is required, including, amendments to the Articles of Incorporation; amendments to the Articles or Bylaws

changing proxy rights; removal of directors without cause; filling vacancies on the Board of Directors; the sale, lease, exchange, conveyance, transfer, or other disposition of all or substantially all of the Corporate assets unless the transaction is in the usual and regular course of the Corporation's activities; the principal terms of a merger or the amendment of a merger agreement; the election to dissolve the Corporation; contracts or transactions between the Corporation and one or more directors, or between the Corporation and an entity in which the Director has a material financial interest; or a plan of distribution of assets other than money to members when the Corporation is in the process of winding up, when the distribution is not in accordance with liquidation rights of any class or classes, shall not be valid unless the proxy sets forth the general nature of the matter to be voted on.

c. Revocability.

A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect until (1) revoked by the member executing it before the vote is cast under that proxy, (i) by a writing delivered to the Corporation stating that the proxy is revoked, (ii) by a subsequent proxy executed by that member and presented to the meeting, or (iii) as to any meeting, by the member's personal attendance and voting at the meeting, or (2) written notice of the death or incapacity of the maker of the proxy is received by the Corporation before the vote under the proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy, except that the maximum term of a proxy shall be three (3) years from the date of execution. The revocability of a proxy that states on its fact that it is irrevocable shall be governed by Section 7613 of the *California Corporations Code*.

SECTION 9. Inspectors of Election.

In advance of any meeting of members, the Board of Directors may appoint any person other than nominees for office to act as Inspectors of Election at such meeting or any adjournment thereof. If no Inspectors of Election are appointed, or if an appointment is vacated by an Inspector who fails to appear or fails or refuses to act, the Chairman of any such meeting may, and on the request of any member or his/her proxy shall, make such appointment to fill such vacancy at the meeting. The Inspectors shall be in the number prescribed by and shall have the duties set forth in Section 7614 of the Non-profit Mutual Benefit Corporation Law.

ARTICLE V
ACTION WITHOUT A MEETING

SECTION 1. Action by Unanimous Written Consent.

Any action required or permitted to be taken by the members may be taken without a meeting if all members consent in writing to the action. The written consent or consents shall be filed with the minutes of the proceedings of the members. The action by written consent shall have the same force and effect as the unanimous vote of the members.

SECTION 2. Action by Written Ballot Without a Meeting.

Any action that may be taken at any meeting of members may be taken without a meeting by complying with this Section.

a. Solicitation of Written Ballots.

The Corporation shall distribute one written ballot to each member entitled to vote on the matter. Such ballots shall be mailed or delivered in the manner required by Article IV, Section 4c of these Bylaws. All solicitations of votes by written ballot shall (1) indicate the number of responses needed to meet the quorum requirement, (2) with respect to ballots other than for election of directors, state the percentage of approvals necessary to pass the measure or measures, and (3) specify the time by which the ballot must be received in order to be counted. Each ballot so distributed shall (1) set forth the proposed action, (2) provide the members an opportunity to specify approval or disapproval of each proposal, and (3) provide a reasonable time in which to return the ballot to the Corporation. If the Corporation has one hundred (100) or more members, any written ballot distributed to ten (10) or more members shall provide, subject to reasonable specified conditions, that if the person solicited specifies a choice with respect to any such matter, the vote shall be cast in accordance with that specification.

In any election of directors, a written ballot that a member marks “withhold”, or otherwise marks in a manner indicating that authority to vote is withheld, shall not be voted either for or against the election of a director.

b. Number of Votes and Approvals Required.

Approval by written ballot shall be valid only when (1) the number of votes cast by ballot (including those ballots that are marked “withhold” or otherwise indicate that authority to vote is withheld) within the time specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and (2) the number of approvals equals or exceeds the number of votes that would be required for approval at a meeting at which the total number of votes cast was the same as the number of votes cast by written ballot without a meeting.

c. Revocation.

A written ballot may not be revoked.

d. Filing.

All written ballots shall be filed with the secretary of the Corporation and maintained in the Corporate records for at least three (3) years.

**ARTICLE VI
RIGHTS OF MEMBERS**

SECTION 1. Voting Rights.

a. One Vote.

Each member shall be entitled to one (1) vote for each membership certificate held on each matter submitted to the vote of the members. Don Talley (collectively hereinafter referred to as "Owner and Developer of the Project") the owner and developer of the project shall have 3 votes for every lot owned by it until such time that the total votes of all other owners represent a majority. All other owners will be entitled to one (1) vote for each lot owned. Las Ventanas Ranch shall have 3 votes for each lot owned until such time as it has, in fact, sold 42 lots. Thereafter, Las Ventanas Ranch shall have one (1) vote for each lot it owns. No member shall be entitled to a vote while any assessment, charge, or toll is delinquent, or while the membership certificate is subject to a lien unless such membership certificate has been forfeited to the Corporation, in which event, the new holder shall be entitled to vote. No distinction shall exist between the members except that a member must be in good standing in order to vote his/her membership certificate.

b. Membership in Names of Two or More Persons.

If a membership stands of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, persons entitled to vote under a voting agreement or otherwise, or if two (2) or more persons, including proxy-holders, 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 act with respect to voting shall have the following effect:

- (1) If only one votes, such act binds all; or
- (2) If more than one vote, the act of the majority so voting binds all.

SECTION 2. Rights and Liabilities.

No member of the Corporation shall have any right, title, or interest in any property or assets of the Corporation. Each lot shall be entitled to water delivery through a single water meter. All members shall use water for domestic purposes only.

SECTION 3. Eligibility of Enlargement of Water Service.

The ownership of a membership certificate in the Corporation shall not confer any right to have any pipeline or water conduit enlarged or extended without the approval of the Board of Directors, and the Board of Directors shall have, at all times, the exclusive determination of the necessity and expediency of constructing, enlarging, and extending the water system of the Corporation and all of its pipelines and conduits.

SECTION 4. Cessation of Services to Members with Delinquent Assessments.

No member shall be entitled to receive any water from the Corporation while there are any delinquent assessments against any membership certificates standing in said member's name on

the books of the Corporation, or if he/she is in default in payment of any charges or tolls.

ARTICLE VII **CERTIFICATES OF MEMBERSHIP**

SECTION 1. Certificates of Membership.

Certificates of membership of this Corporation shall be in such standard printer's form as the Board of Directors may select. Each membership certificate shall show the date of issuance; the number of the membership certificate; the person or persons to whom issued; the offering price per membership certificate; a statement of the rights, privileges and restrictions, if any, or in lieu of such statement, a direction to the Articles and Bylaws or other documents of this Corporation where such rights, privileges and restrictions may be found; a statement that the membership certificates are assessable; a statement that the memberships are appurtenant to the land described on the membership certificate; and such further legends or statements as may be required by the California Commissioner of Corporations, or other state agency having jurisdiction over such matters.

Each membership certificate when so issued shall contain a description of the lot or lots for which it was issued and shall be appurtenant thereafter to the land, except as otherwise provided by the Articles of Incorporation or these Bylaws.

SECTION 2. Fractional Memberships Prohibited.

There shall be no fractional memberships issued. Every certificate of membership must be signed by the President or Vice President, and the Secretary or an Assistant Secretary.

SECTION 3. Liens Against Certificates of Membership.

All assessments, charges, or tolls shall be a lien against the certificate of membership and such membership certificate may not be transferred by the member while such membership certificate is subject to any lien.

ARTICLE VIII **DIRECTORS: MANAGEMENT**

SECTION 1. Powers.

Subject to the limitations of the Articles of Incorporation, these Bylaws, and of the laws of the State of California as to action to be authorized or approved by the members, all corporate powers shall be exercised by or under authority of, and the business and affairs of this Corporation shall be controlled by, a Board of Directors.

Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Directors shall have the following powers, to wit:

- a. To call special meetings of the members when they deem it necessary.

- b. To appoint and remove at will all agents and employees of the Corporation and to prescribe the duties and fix reasonable compensation of any of the officers and agents or employees, provided, however, that the same shall not be in conflict with the Articles of Incorporation, the laws of the State of California, or these Bylaws.
- c. To require any of the officers, agents, or employees to provide a security bond for the faithful performance of their duties.
- d. To conduct, manage, and control the affairs and business of the Corporation and make rules and regulations not inconsistent with the Articles of Incorporation, the laws of the State of California, or these Bylaws.
- e. To appoint an Executive Committee, consisting of at least two (2) directors, and any other committees, and to delegate to the Executive Committee any of the powers and authority of the Board in the management of the business and affairs of the Corporation, except the power to adopt, amend, or repeal Bylaws.
- f. The Board of Directors shall, from time to time, prescribe reasonable charges to be paid by the members for water, adequate capitalization of a Repair and Replacement Fund and other necessary services in connection with developing and supplying water to members, and may levy and collect assessments or service charges for the Corporation or for any other purpose permitted by law. The amount of any of these charges, tolls, or assessments shall be in the sole determination of the Board of Directors.
- g. The Board of Directors may make all rules and regulations they deem necessary pertaining to the development or distribution of water and the operation of the water system, including the enlargement and extension thereof.
- h. The Board of Directors may make and enforce all rules and regulations permitted by law and by them determined necessary to enforce these provisions and for all proper purposes of the Corporation.
- i. The Directors shall have the authority to pay reasonable salaries and expenses to themselves, members, or persons from time to time employed by the Corporation. Reasonableness of salaries shall be determined by comparison with salaries paid to similarly qualified people working in similar capacities in other private water companies and in such public water distribution facilities as the Board of Directors in its sole discretion may determine is an appropriate comparison.
- j. The Directors shall, in the course of establishing a reasonable rate structure, from time to time determine rates which will provide for adequate funds for the maintenance, repair, and replacement of the facilities of the Corporation and the adequate capitalization of a Repair and Replacement Fund.
- k. In addition to prescribing rates for the use of water for those members who actually

receive water, the Directors shall also establish fair rates for the use of water for the benefit of land within the Service Area of the Corporation as described in the Articles of Incorporation and these Bylaws at such times as there are no membership certificates issued which are appurtenant to said land. In addition, the Directors shall determine an appropriate share of costs of maintaining the system to be allocated to those members who are not actually receiving water for the benefit of their land.

SECTION 2. Duties.

It shall be the duty of the Board of Directors to cause to be kept a complete record of all the meetings and proceedings of the Board of Directors and of the members; and to present a full and complete statement at the regular annual meeting of the members, which statement shall show in detail the assets and liabilities of the Corporation and the general condition of the affairs of the Corporation.

SECTION 3. Number and Qualification of Directors.

The authorized number of Directors of the Corporation shall be three (3).

SECTION 4. Election and Tenure of Office.

The Directors shall be elected at each annual meeting of members, but if any such annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting of members held for that purpose. All Directors shall hold office until their respective successors are elected.

SECTION 5. 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 such Director so elected shall hold office until his/her successor is elected at an annual or a special meeting of the members.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of death, resignation, or removal of any Director, or if the authorized number of Directors be increased, or if the members fail at any annual or special meeting of members at which any Director or Directors are elected to elect the full authorized number of Directors to be voted at that meeting.

The members may elect a Director or Directors at any time to fill any vacancy or vacancies 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.

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 the power to elect a successor to take office when the resignation is to become effective.

No reduction of the number of Directors shall have the effect of removing any Director prior to the expiration of his/her term of office.

SECTION 6. Place of Meetings.

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 resolution of the Board of Directors or written consent of all of the members of the Board. Any meeting shall be valid, wherever held, if held by the written consent of all members of the Board of Directors, given either before or after the meeting and filed with the Secretary of the Corporation.

SECTION 7. Organization Meetings.

Immediately following each annual meeting of members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business.

SECTION 8. Other Regular Meetings.

Regular meetings of the Board of Directors shall be held on the 5th day of each month, at the hour of 7:00 p.m. If said day shall fall on a holiday, such meetings shall be held on the next succeeding business day thereafter. No notice need be given of such regular meetings.

SECTION 9. Special 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/she is absent or unable or refuses to act, by any Vice-President or by any two (2) Directors.

Written notice of the time and place of special meetings shall be delivered personally to the Directors or sent to each Director by mail or other form of written communication, charges prepaid, addressed to him/her at his/her address as it is shown upon the records of the Corporation, or if it is not so shown upon the records of the Corporation or is not readily ascertainable, at the place in which the regular meetings of the Directors are held; in case such notice is mailed or telegraphed, it shall be deposited in the United States Mail or delivered to the Telegraph Company in the place in which the principal office of the Corporation is located at least forty-eight (48) hours prior to the time of the holding of the meeting; in case such notice is delivered personally to the Directors, it shall be so delivered at least twenty-four (24) hours prior to the time of the holding of the meeting. Such mailing or telegraphing or delivery as above provided shall be due, legal, and personal notice to each Director.

SECTION 10. Validation of Meeting Defectively Called or Noticed; Waiver, Consent, Approval of Minutes.

The transactions of any meeting of the Board of Directors, however called and noticed, or wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the Secretary of the Corporation.

SECTION 11. Quorum.

A majority of the authorized number of Directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number be required by law or by the Articles of Incorporation or by the Bylaws.

SECTION 12. Adjournment.

A quorum of the Directors may adjourn any Directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the Directors present at any Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place be fixed at the meeting adjourned.

SECTION 13. Open Meetings.

a. Any member, upon 24 hours advance written notice may attend meetings of the board of directors, except when the board adjourns to, or meet solely in, executive session to consider litigation, matters relating to the formation of contracts with third parties, member or shareholder discipline, personnel matters, or to meet with a member or shareholder, upon their request, to discuss the member's or shareholder's payment of assessments. The board of directors of the association shall meet in executive session, if requested by a member or shareholder who may be subject to fine, penalty or other form of discipline, and the member shall be entitled to attend the executive session. A member shall be entitled to attend a teleconference meeting or the portion of a teleconference meeting that is open to members, and that meeting or portion of the meeting shall be audible to members in a location specified in the notice of the meeting.

b. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to members. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the board of directors, other than executive session, shall be available to within 30 days of the meeting. The minutes shall be provided to any member upon request and upon reimbursement of the mutual water company's costs for providing the minutes.

c. The pro forma budget required in Section 14306 shall be available to members within 30 days of the meeting at which the budget was adopted. The budget shall be provided to any member upon request and upon reimbursement of the mutual water company's costs.

d. Unless the bylaws provide for a longer period of notice, members shall be given notice of the time and place of a meeting, except for an emergency meeting or a meeting that will be held solely in executive session, at least four days prior to the meeting. Except for an emergency meeting, members shall be given notice of the time and place of a meeting that will be held solely

in executive session at least two days prior to the meeting. Notice shall be given by posting the notice in a prominent, publicly accessible place or places within the territory served by the mutual water company and by mail to any member who had requested notification of board meetings by mail, at the address requested by the member. Members requesting notice by mail shall pay the costs of reproduction and mailing of the notice in advance. Notice may also be given by mail, by delivery of the notice to each unit served by the mutual water company or, with the consent of the member, by electronic means. The notice shall contain the agenda for the meeting.

e. An emergency meeting of the board may be called by the president of the mutual water company, or by any two members of the board of 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 this section.

f. Any member may speak at any meeting of the mutual water company or the board of directors, except for meetings of the board held in executive session. A reasonable time limit for all member to speak to the board of directors or before a meeting of the mutual water company shall be established by the board of directors.

g. Except as described in subdivision (a) to (i), inclusive, the board of directors of the mutual water company may not discuss or take action on any item at a nonemergency meeting unless the item was placed on the agenda included in the notice that was posted and distributed pursuant to subdivision (d). This subdivision does not prohibit an member who is not a member of the board from speaking on issues not on the agenda.

h. Notwithstanding subdivision (a), a member of the board of directors, mutual water company officers, or a member of the staff of the mutual water company, may do any of the following: Briefly respond to statements made or questions posed by a person speaking at a meeting as described in subdivision; Ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities, whether in response to questions posed by an member or based upon his or her own initiative.

i. Notwithstanding subdivision (a), the board of directors or a member of the board of directors, subject to rules or procedures of the board of directors, may do any of the following: Provide a reference to, or provide other resources for factual information to, the mutual water company's officers or staff; Request the mutual water company's officers or staff to report back to the board of directors at a subsequent meeting concerning any matter, or take action to direct the mutual water company's officers or staff to place a matter of business on a future agenda; Direct

the mutual water company's officers or staff to perform administrative tasks that are necessary to carry out this subdivision.

j. Notwithstanding subdivision (a), the board of directors may take action on any item of business not appearing on the agenda posted and distributed pursuant to subdivision (d) under any of the following conditions: Upon a determination made by a majority of the board of directors present at the meeting that an emergency situation exists. An emergency situation exists if there are circumstances that could not have been reasonably foreseen by the board, that require immediate attention and possible action by the board, and that, of necessity, make it impracticable to provide notice; Upon a determination made by the board by a vote of two-thirds of the members present at the meeting, or, if less than two-thirds of total membership of the board is present at the meeting, by a unanimous vote of the members present, that there is a need to take immediate action and that the need for action came to the attention of the board after the agenda was posted and distributed pursuant to subdivision (d). The item appeared on an agenda that was posted and distributed pursuant to subdivision (d) for a prior meeting of the board of directors that occurred not more than 30 calendar days before the date that action is taken on the item and, at the prior meeting, action on the item was continued to the meeting at which the action is taken.

k. (B) Before discussing any item pursuant to this paragraph, the board of directors shall openly identify the item to the members in attendance at the meeting.

l. The board of directors shall not take action on any item of business outside of a meeting.

m. The board of directors shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except as specified in subdivision (n).

n. Electronic transmissions may be used as a method of conducting an emergency meeting if all members of the board, individually or collectively, consent in writing to that action, and if the written consent or consents are filed with the minutes of the meeting of the board. These written consents may be transmitted electronically.

ARTICLE IX **OFFICERS**

SECTION 1. Officers.

The officers of the Corporation shall be President, a Vice-President, a Secretary, and a Treasurer. The Corporation may also have, at the discretion of the Board of Directors, a

Chairman of the Board, one or more additional Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article IX. One person may hold two or more offices, except those of President and Secretary.

SECTION 2. Election.

The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of these Bylaws, shall be chosen annually by the Board of Directors, and each shall hold his/her office until he/she shall resign or shall be removed, or otherwise disqualified to serve, or his/her successor shall be elected and qualified.

SECTION 3. Subordinate Officers, Etc.

The Board of Directors may appoint such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

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 may be conferred by the Board of Directors.

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 of 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. Duties of Officers.

a. 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 officers of the Corporation. He/She shall preside at all meetings of the members and at all meetings of the Board of Directors. He/She shall be ex officio a member of all the standing committees, including the Executive Committee, if any, and shall have 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.

b. Vice-President.

The Vice-President, in the absence of disability of the President, in order of his/her rank as fixed by the Board of Directors, or if not ranked, the Vice-President designated by the Board of Directors, shall perform all the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice-President shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the Bylaws.

c. Secretary.

The Secretary shall keep, or cause to be kept, minutes of meetings of the Board and of the members, whether annual, regular, special, or otherwise, at the principal office or such other place as the Board of Directors designate. The minutes shall include, but not be limited to, specifying the time and place of the meeting, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at the Directors' meetings, the number of members 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 certificate register, or a duplicate membership certificate register, showing the names of the members and their addresses; the number and date of membership certificates issued for the same; and the number and date of cancellation of every membership 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; and he/she shall keep the seal of the Corporation in safe custody, and affix the same to all papers requiring the seal; and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

d. Treasurer.

The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus, and membership certificates. Any surplus, including earned surplus, paid-in surplus, and surplus arising from a reduction of stated capital shall be classified according to source. The books of account shall, at all reasonable times, be open to inspection by any Director. The Treasurer shall deposit, or cause to be deposited, all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He/She shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Directors, whenever they request it, an account of all his/her transactions as Treasurer and of the financial conditions of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

ARTICLE X
CORPORATE RECORDS AND REPORTS,
VOTING MEMBERSHIP CERTIFICATES IN THE CORPORATION

SECTION 1. Records.

The Corporation shall maintain adequate and correct accounts, books, and records of its business and properties. All of such books, records, and accounts shall be kept at its principal place of business in the State of California, as fixed by the Board of Directors from time to time.

SECTION 2. Inspection of Books and Records.

The following records will be made promptly available upon written request to a member upon payment of fees covering direct costs of duplication: Agendas and minutes of board meetings; A copy of an annual budget; A copy of any accounting report; A copy of any records reporting the results of a water quality test; A copy of an annual report that has been distributed to the mutual water company's shareholder or members.

SECTION 3. Checks, Drafts, Etc.

All checks, drafts, or other orders for payment of money, notes, or other evidences 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 a manner as shall be determined from time to time by resolution of the Board of Directors.

SECTION 4. Contracts, Etc.; How Executed.

The Board of Directors, except as in the Bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of or on behalf of the Corporation. Such authority may be general or confined to specific instances. Unless so 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 render it liable for any purpose or to any amount.

SECTION 5. Annual Report to Members.

The board shall contract with a certified public accountant or public accountant to conduct an annual review of the financial records and reports of the mutual water company. The review shall be subject to generally accepted accounting standards. An annual fiscal year-end financial report shall be sent to the members not later than one hundred, five (105) days after the close of the annual accounting period adopted by the Corporation. The annual report shall include a balance sheet as of the closing date and a statement of income or profit and loss for the year ending on the closing date. The report shall be prepared from, and in accordance with, the books of the Corporation in a form sanctioned by sound accounting practice; shall be certified by the President, Secretary, Treasurer, or a certified Public Accountant; and shall include the following:

- a. The balance sheet or comments accompanying it shall set forth:

- (i) The basis employed in stating the valuation of the assets and any changes in this basis during the preceding year;
 - (ii) The amount and sources of, and any changes in, surplus during the preceding year;
 - (iii) The number of memberships authorized and outstanding and the number of any memberships carried as treasury memberships, the cost of these treasury memberships, and the source from which the cost was paid; and,
 - (iv) The amounts of any loans or advances to or from officers, members, and employees.
- b. The statement of income or profit and loss shall disclose the amount of, additions to, and deductions from income or loss, setting forth in particular the amounts of depreciation or depletion, amortization, interest, and extraordinary income or charges, whether or not included in operating income, and the amount and nature of income from any subsidiary corporations.

SECTION 6. Fiscal Year.

The fiscal year shall be determined by the Board of Directors.

SECTION 7. Certification and Inspection of Bylaws.

The original or a copy of the Bylaws, as amended or otherwise altered to date, certified by the Secretary, shall be open to inspection by the members of the Corporation.

**ARTICLE XI
NO DIVIDENDS OR OTHER COMPENSATION TO MEMBERS**

The Corporation is a non-profit mutual benefit corporation, organized under the Non-profit Mutual Benefit Corporation Law and does not contemplate pecuniary gain or profit to its members and is organized for non-profit purposes.

**ARTICLE XII
AREA TO BE SERVED**

SECTION 1. Description of Service Area.

The area to be served by the Corporation (“Service Area”) is described as follows:

Lots 34 through 88 of Tract 2408 Phase II are shown on the Map recorded on April 10, 2007 in Book 29, Pages 81-99 of Maps in the Office of the County Recorder of the County of San Luis Obispo, State of California.

SECTION 2. Service to All Members.

The Corporation will provide water to all owners of lots or lots of land within the Service Area, subject to any other applicable provisions of the Articles of Incorporation, these Bylaws, or the CC&R's from time to time existing.

**ARTICLE XIII
MEMBERSHIP CERTIFICATES; TRANSFER**

SECTION 1. Certificates for Membership.

Each member in the Corporation shall be entitled to have a membership certificate, in such form and devise as the Board of Directors may designate, certifying that the member owns one (1) membership certificate of the Corporation, and containing the statement setting forth the office or agency of the Corporation from which the member may obtain, upon request and without charge, a copy of the statement of any rights, preferences, privileges, and restrictions granted to or imposed upon each class of series of memberships authorized to be issued and upon the holders thereof, and any other legend or statement as may be required by the Articles of Incorporation, and the federal and California corporate securities laws.

Each membership certificate shall be signed in the name of the Corporation by the President or Vice-President and the Secretary or Assistant Secretary. Any signature on the membership certificate may be by facsimile, provided that at least one (1) signature, but need not be that of the Corporation's register or transfer agent, if any, shall be manually signed.

SECTION 2. Appurtenancy of Membership Certificates to Lots.

Membership certificates of the Corporation shall be appurtenant to the lots and real property as the same are described above in Article XII of these Bylaws and shall not be transferable except with a conveyance of the lot or other real property for which said membership certificate is issued. Such conveyance shall effect the transfer of the membership certificate appurtenant to that particular lot or real property to its purchaser.

SECTION 3. Transfer of Membership Certificates.

Membership certificates of the Corporation are not transferable or assignable except as specifically provided in these Bylaws and in the Articles of Incorporation, and each membership certificate shall so indicate. All transfers of membership certificates shall be subject to a transfer fee of \$150.00 and the payment of all indebtedness to the Corporation of the member whose membership certificate is transferred.

Upon surrender to the Secretary or Assistant Secretary or to the transfer agent of the Corporation of a membership certificate duly endorsed or accompanied by proper evidence of succession, assignment, conveyance, or authority to transfer, it shall be the duty of the Corporation to issue a new membership certificate to the person entitled thereto, cancel the old membership certificate, and record the transaction upon its books.

SECTION 4. Lost or Destroyed Membership Certificates.

A new membership certificate may be issued without the surrender or cancellation of an old membership certificate that is lost, apparently destroyed, or wrongfully taken when:

- a. the request for the issuance of a new membership certificate is made within a reasonable time after the owner of the old membership certificate has notice of its loss, destruction, or theft; and,
- b. such request is received by the Corporation prior to its receipt of notice that the old membership certificate has been acquired by a bona fide purchase.
- c. The owner of the old membership certificate shall give the Corporation an indemnity bond or other adequate security sufficient to indemnify the Corporation against any claim, expense, or liability resulting from the issuance of a new certificate. In the event of the issuance of a new certificate, the rights and liabilities of the Corporation, and the holders of the old and new certificates, shall be governed by the provisions of Sections 8404 and 8405 of the *California Commercial Code*.

SECTION 5. Transfer Agents and Registrars.

The Board of Directors may appoint one (1) or more transfer agents or transfer clerks, and one (1) or more registrars, which shall be banks or trust companies, either domestic or foreign, at such times and places as requirements of the Corporation may necessitate and the Board of Directors may designate.

SECTION 6. Record Date.

The Board may fix, in advance, a record date for the purpose of determining members entitled to notice of and to vote at any meeting of members to consent to corporate action without a meeting, to receive any report, or to receive distribution or allotment of any right, or to exercise rights with respect to any change, conversion, or exchange of membership certificates. The record date so fixed shall not be more than sixty (60) days prior to any event for the purpose of which it is fixed, and shall not be less than ten (10) days prior to the date of any meeting of the members. If no such record date is fixed by the Board of Directors, then the record date shall be the date prescribed by Section 7611 of the Non-profit Mutual Benefit Corporation Law of California.

ARTICLE XIV OPERATION OF WATER SYSTEMS

The Board of Directors may appoint a Utility Master, whose duties may include, but are not limited to: (a) supervising and assisting in the installation of pipelines, water connections, and other works of the Corporation, and (b) supervising the distribution of water. Subject to the approval of the Directors, the Utility Master may employ such assistance as may be necessary. The Utility Master shall render a report to the President and Directors annually, or more often if required, setting forth the result of the Corporation's operations, and shall perform such other duties as the Board may require.

ARTICLE XV
ASSESSMENTS

SECTION 1. Purpose of Levy.

Assessments for the construction, installation, maintenance, operation, and replacement of the pipelines and water system owned by the Corporation, or for the acquisition, lease, or development of water, water rights, or water-bearing lands, or the payment of taxes, utilities, or charges for the system owned by the Corporation may be levied by the Board on the members of the Corporation from time to time as the Board may deem necessary.

SECTION 2. Form and Content.

Such assessments may be continuing assessments levied in the form of annual, quarterly, or other periodic billings to members, or may be a single assessment, may establish different classifications of water users, and water rates, and may include such other reasonable provisions for levy, collection, or otherwise as the Board may deem advisable from time to time.

SECTION 3. Notice of Levy and Lien.

The Board shall give formal notice of each single assessment in writing which shall contain the date and amount of the assessment, the date upon which the assessment is payable, the date upon which the assessment shall be delinquent, and the statement that, unless payment is made prior to such delinquency, the Membership shall be forfeited to the Corporation along with all rights thereto, pursuant to *Corporations Code* Section 14303. In the case of a periodic assessment, the notice, instead of a due date and a delinquency date, shall state the interval chosen and the number of days after the service of the notice the assessment is due after which that installment shall become delinquent, but shall contain all other items as required above. If any member becomes delinquent in the payment of assessments, the right to receive water may be denied, and the delinquent members shares or membership interest in the Corporation may be sold and transferred without their lands as if not appurtenant thereto, and the purchaser shall acquire the right to receive water as provided in the articles or bylaws of the corporation, or they may be forfeited to the corporation. If a member has not timely paid any rate, charge, or assessment arising from, or related to, water service provided by the mutual water company to the member's property, in addition to the forfeiture of the delinquent members shares or membership interest in the Corporation as provided hereinbefore, then after providing at least 20 days' written notice to the member, the board of directors of the Corporation may authorize the recording of a notice of lien against that shareholder's property to secure the collection of the rates, charges, and assessments owed to the mutual water company by the shareholder.

SECTION 4. Service of Notice.

The notice shall be served on each membership certificate holder personally or by mail addressed to the member at his/her last address as it appears in the books of the Corporation, or if it does not appear, at the place where the principal office of the Corporation is located, and published once in a newspaper of general circulation published in the city or town of the principal office of

the Corporation. If there is no such newspaper published in the city or town of the principal office of the Corporation, publication shall be made in a newspaper of general circulation published in the County of the principal office of the Corporation, or if there is none, then in some such newspaper published in an adjoining County. Such personal service or service by mail and publication shall be made at least ten (10) days prior to mailing the first bill for the period assessment.

ARTICLE XVI **REASONABLE RATE STRUCTURE**

A rate structure shall be established by the Board for the water system which will result in the accumulation and maintenance of a fund for the repair and replacement of the respective facilities and bear a reasonable relationship to the costs of furnishing water services (“Repair and Replacement Fund”). Unimproved lots included within the area to be served shall bear an appropriate share of the cost of maintaining the water system and the Repair and Replacement Fund. The Board may rely from time to time on estimates provided to the Board by independent consultants or other professionals which the Board, in its discretion, may deem appropriate so that the Board may properly carry out its function in the establishment of a proper reserve for repair and replacement of the Corporate facilities. With respect to the accumulation and maintenance of a fund for the replacement of the respective facilities, unimproved lots shall bear an equitable share of the cost of accumulating such fund as improved lots shall bear.

ARTICLE XVII **REASONABLE LIMIT ON WATER USE**

The Board of Directors shall have authority to place, from time to time, reasonable limitations on the amount of water used by any member, and further reserves the right and power to install water meters, if the Board deems the same necessary, to monitor or limit the use of water by members.

ARTICLE XVIII **MISCELLANEOUS**

SECTION 1. Recordation.

A certified copy of the Articles of Incorporation of the Corporation shall be recorded in the office of the County Recorder of San Luis Obispo County, as required by *California Civil Code* Section 330.24.

SECTION 2. Use of Water or Water Works for Emergency and Fire.

During any emergency resulting from fire or other disaster involving danger to public health or safety, water may be furnished to the agency fighting such disaster.

SECTION 3. State Ownership of Lands.

In the event lands to which any certificate of membership is appurtenant are owned or

acquired by the State, or any department, district, or agency thereof, or any school district or public agency, such membership certificates shall be canceled by the Secretary of the Corporation, but shall be reissued to any person later acquiring title for such land from the State department, district, or agency, or public agency.

SECTION 4. Rules and Regulations.

The Board shall have the power to make and adopt such rules and regulations not inconsistent with law, the Articles of Incorporation, or these Bylaws, as it may deem advisable for the management of the business and the affairs of the Corporation.

ARTICLE XIX
AMENDMENTS

SECTION 1. Power of Members.

New Bylaws may be adopted, or these Bylaws may be amended or repealed, by the vote of the members entitled to exercise a majority of the voting power of the Corporation, or by the written assent of such members, except as otherwise provided by law or by the Articles of Incorporation. In the event no membership certificates are issued, the Bylaws of the Corporation may be amended by majority vote of the Board of Directors.

SECTION 2. Power of Directors.

Subject to the right of the members or Board of Directors, as provided in Section 1 of this Article XIX to adopt, amend, or repeal Bylaws, the Board of Directors may adopt, amend, or repeal any of these Bylaws other than a Bylaw or amendments thereof 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 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.

CERTIFICATE OF SECRETARY

I, the undersigned, certify that:

1. I am the presently elected and acting Secretary of Las Ventanas Ranch Mutual Benefit Water Company, a non-profit mutual benefit corporation; and,
2. The above Bylaws, consisting of twenty-four (24) pages, are the Bylaws of this Corporation as adopted by the Corporation's Incorporator on April 1, 2015.

IN WITNESS WHEREOF, I have subscribed my name and affixed the seal of this Corporation on April 1, 2015.

Rosemary Talley, Secretary