

## OFFERING CIRCULAR

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

1. This Offering Circular is for information only and is distributed to potential purchasers of Lots 34 through 88 in that certain subdivision known as Las Ventanas Ranch (Tract 2408 Phase II), San Luis Obispo County, California, as delineated in the legal description attached hereto and incorporated herein as **Exhibit "A"**.

2. THE CORPORATION.

Las Ventanas Ranch Mutual Benefit Water Company (the "Corporation") is a nonprofit mutual benefit corporation organized and existing under the California Nonprofit Mutual Benefit Corporation Law. The Corporation was formed to engage in no activity other than the development, distribution, supply or delivery of water to its members, or their lessees, at actual cost plus necessary expenses, for domestic use on lots of Tract 2408 Phase II located at Lopez Drive, San Luis Obispo County, California. The Corporation is authorized to do whatever is necessary, conducive, incidental or advisable to accomplish and promote these objects and purposes. (See Articles of Incorporation attached hereto as **Exhibit "B"**). A total of fifty-five (55) membership certificates, of two different classes until such time as a certain number of lots have been sold, are authorized by the Corporation's Bylaws (See **Exhibit "C"**). The service area consists of fifty-five (55) residential lots or parcels. Individual lot owners are the only individuals or entities entitled to own membership certificates of the Corporation.

3. EACH MEMBERSHIP CERTIFICATE IS APPURTENANT TO THE LOT PURCHASED.

Membership certificates of the Corporation are appurtenant to the lots within Tract 2408 Phase II and are not transferrable except upon conveyance of the lot for which said membership certificate is issued. No fractional certificates may be issued. Such conveyance shall affect the transfer of the certificate appurtenant to the particular lot or real property to its purchaser.

4. MEETINGS.

The Corporation holds an annual meeting on the 15th day of March of 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 principal office of the Corporation.

Special meetings of members, for any purpose or purposes whatsoever, may be called at any time by the President or by any one or more of the 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 meeting shall be given in a manner provided in the Corporation's Bylaws.

5. SUMMARY OF ENGINEER'S REPORT.

The Engineer's Report is on file with the Wallace Group located at 612 Clarion Court, San Luis Obispo, CA 93401. The following is a brief summary of the Engineer's Report:

(a) The water system is designed to deliver an average daily flow of 22,400 gallons per day to fifty-five (55) lots.

(b) The storage capacity is based on two (2) 166,000 gallon bolted stud tanks with 156,000 gallons of actual storage for each.

(c) The public facilities are as follows:

Two (2) wells with pumps and motors are located on corresponding easements. Well "1" (Primary) will deliver two hundred (200 ) GPM to storage. Well "2" (Secondary) will deliver one hundred and ninety (190 ) GPM to storage.

The distribution system includes six-inch and eight-inch (6" and 8") PVC-Class 150 water pipe. Appurtenances include valves, fittings, services, and fire hydrants. The fire hydrants meet the requirements of the County of San Luis Obispo and the California Division of Forestry and will be maintained by the Water Company.

The water service connections for the individual lots are approved PVC pipe with a minimum inside diameter of one inch (1"). Each service will be metered.

(d) Each Owner will be responsible for their own septic tanks located on the individual lots.

(e) The Corporation will serve exclusively that certain real property described as Lots 34 through 88 of Tract 2408 Phase II, San Luis Obispo, California.

(f) Budget Projections: The Las Ventanas Ranch Mutual Benefit Water Company (LVRMBWC) financial capacity is illustrated in the budget projections and other financial information are included in Appendix G of the Engineer's Report. The average bi-monthly water bill in the development will be approximately \$160.00 based on an estimation of daily use of 900 gallons/lot.

The annual operating costs are based on 2006 costs. For purposes of estimating 5-year projections, it is recommended that an inflation factor of 6% per year be added for each year of operation.

## 6. WATER FIT FOR HUMAN CONSUMPTION.

The water being supplied to each lot is fit for human consumption as set forth on the Certificate of the Director of Public Health, attached hereto and incorporated herein by reference as **Exhibit "D"**.

## 7. FINANCIAL STATEMENTS.

The Corporation is obligated to distribute an annual fiscal year-end financial report to all of its 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. A copy of the Corporation's initial operating expenses for the first year of operation is contained in the Engineer's Report.

#### 8. REASONABLE LIMITATION ON WATER USAGE.

The Bylaws of the Corporation provide that water used by members should be limited by the Corporation at 1.3 acre feet per year per member. The Board has established a base rate per each member for water delivery at nine hundred (900) gallons per day per member. The Board may lower the amount of water delivered under the basic rate. The Board has the power to raise or lower water rates as well as use a sliding scale for water rates to discourage excessive water use. The Board has the ability to decrease the amount of water delivered to each member when it becomes necessary to place further limitations on the use of water.

#### 9. RESTRICTIONS ON LANDOWNERS OF TRACT 2408 PHASE II.

There are several restrictions which apply to development of any lot within Tract 2408 Phase II. A declaration of covenants and restrictions is available from the developer for your inspection. Pursuant to these covenants and restrictions, an owner of a lot in Tract 2408 Phase II

may not construct or maintain a water well, other well, or independent water supply system on their land. Land uses on lots are limited to single-family residences. All water delivered by the Corporation is for domestic use only. Lot splits are not permitted and the Corporation would not be obligated to supply any multiple family user or conversions to businesses, commercial, trailer parks, low-cost housing, half-way houses, substance abuse facilities, hospitals, or any land use, other than approved single-family homes.

A lot owner will not have a right to receive any water from the company if there is any subsequent change in use from single-family homes, lot splits, or other conversions of the landowner's property. There may be no joinder of multiple lots unless the joinder of lots is approved by the Board of Directors of the Mutual Benefit Water Company.

To fund the operation of the Corporation and adequately capitalize a repair and replacement fund, which is maintained for capital improvements, certain charges and/or assessments are charged to each lot owner. Each lot owner is required to pay an initial water meter connection fee at closing and a monthly assessment to the Corporation. Additionally, as the need may arise, special assessments may be levied against each lot requiring additional payment for operation of the Corporation.

Assessments will be promulgated and sent to each lot owner monthly or quarterly. The company has not levied any special assessments. However, the Corporation reserves the right to do so.

10. MEMBERSHIP CERTIFICATE HOLDER'S RIGHTS.

(a) Each member shall be entitled to one (1) vote for each membership certificate held on each matter submitted to a vote of members. No distinction exists between the members except that a member must be in good standing in order to vote his or her membership certificate. The Corporation is not subject to the supervision or regulation as a public utility company. No public agency has any supervision or control over the management, rates, assessments, charges, or conduct of business of the Corporation.

(b) Each member must share in the costs of operation of the Corporation. The Corporation will establish a rate schedule which will result in the accumulation and maintenance of the "repair and replacement fund" for the repair and replacement of the water supply, distribution, and fire protection system. The remainder of any assessment is used for paying the operating costs of the Corporation. Each owner of a lot in Tract 2408 Phase II will be responsible for paying such fees. If a member fails to pay its regular monthly assessment or any special assessment prior to delinquency, the Corporation may take appropriate action to collect such assessments, as more particularly set forth in Article XV of the Bylaws. The membership certificates of the Corporation may not be sold separately from the lot to which the membership certificates are appurtenant. Accordingly, a member may not transfer the membership certificates without selling the lot to which the membership certificates are appurtenant. And further, no fractional membership certificates may be issued.

(c) The Bylaws of the Corporation provide that salaries paid to persons operating or employed by the Corporation, including officers and directors, shall, at all times, be reasonable in light of the services they perform.

(d) Each owner of a membership certificate of the Corporation will have the right to one (1) vote, except the owner/developer who shall have three (3) votes for each lot owned until such time as it has sold forty-two (42) lots. A Board of Directors of three (3) is elected on an annual basis by the members. The Directors will, in turn, elect the Officers. The Directors will have the responsibility for overall management and supervision of the company. That body will be primarily responsible for setting the assessments for the company.

(e) The accounting books, records, and minutes of the proceedings of the members and the Board of Directors and its committees will be maintained and available at the company's principal executive office and shall be open to inspection upon the written demand of any member at any reasonable time during usual business hours, for a purpose reasonably related to such member's interest as a certificate holder. Such inspection by a member may be made in person or by agent or attorney and the right of inspection includes the right to copy and make extracts.

11. PRINCIPAL EXECUTIVE OFFICE.

The Corporation maintains its offices at 2900 Lopez Drive, Arroyo Grande, California, 93420. Our staff will be more than happy to assist you with obtaining any additional information you may desire. Please do not hesitate to contact our office if you have questions or would like additional information.

12. EXHIBITS.

Attached hereto and incorporated herein by this reference are the following exhibits:

- A. Legal Description of Tract 2408 Phase II, Arroyo Grande, California
- B. Articles of Incorporation of the Las Ventanas Ranch Mutual Benefit Water Company
- C. Bylaws of Las Ventanas Ranch Mutual Benefit Water Company
- D. Certificate of Director of Public Health
- E. Engineer's Consent

LAS VENTANAS RANCH MUTUAL BENEFIT WATER COMPANY  
OFFERING CIRCULAR

**EXHIBIT "A"**

*Legal Description of Tract 2408 Phase II*

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

**EXHIBIT "A"**

LAS VENTANAS RANCH MUTUAL BENEFIT WATER COMPANY  
OFFERING CIRCULAR

**EXHIBIT "B"**

*Articles of Incorporation of Las Ventanas Ranch Mutual Benefit Water Company*

**EXHIBIT "B"**

3154353

**State of California**  
Secretary of State



I, DEBRA BOWEN, Secretary of State of the State of California, hereby certify:

That the attached transcript of 3 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

JUL 21 2008

Handwritten signature of Debra Bowen in cursive script.

DEBRA BOWEN  
Secretary of State

3154353

**ENDORSED - FILED**  
in the office of the Secretary of State  
of the State of California

JUL 09 2008

## ARTICLES OF INCORPORATION

of

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

### ARTICLE I

#### NAME

The name of this Corporation is **LAS VENTANAS RANCH MUTUAL BENEFIT WATER COMPANY**.

### ARTICLE II

#### PURPOSE

A. This Corporation is a non-profit mutual benefit corporation organized under the Non-Profit Mutual Benefit Corporation Law. The purpose of this Corporation is to engage in any lawful act or activity, other than the credit union business, for which a corporation may be organized under such law.

B. The specific purposes for which this Corporation is formed are developing, distributing, supplying, and delivering water and all appurtenances related thereto, at actual cost plus necessary expenses, to the owners of membership certificates of the Corporation for domestic uses within the lands of the Service Area of the Corporation as described in Article VI hereof, and such other activities as are reasonably incident thereto.

C. In accordance with the provisions of *California Corporation Code Section 14300*, water shall be sold, distributed, supplied, or delivered only to the owners of certificates of membership of this Corporation, which certificates shall be appurtenant to each lot or parcel of land located within the Service Area of this Corporation.

### ARTICLE III

#### AGENT FOR SERVICE OF PROCESS

The name and address in the State of California of this Corporation's initial agent for service of process is:

BRIAN TALLEY  
2900 Lopez Drive  
Arroyo Grande, California 93420

**ARTICLE IV**  
**MEMBERSHIP**

The total number of memberships which this Corporation is authorized to issue is fifty-five (55). Each membership shall be appurtenant to each lot or parcel of land located within the Service Area of this Corporation. Each membership is transferrable or assignable only with a transfer or conveyance of the lot or parcel of the land to which it is appurtenant.

**ARTICLE V**  
**ASSESSMENTS**

The Corporation, by action of the Board of Directors, is authorized to levy and collect assessments upon all of the members of the Corporation and shall have all of the authority, rights, and privileges with reference to such assessments as are provided by law with respect to the Corporation's Directors, including, but not limited to, the authority to levy on assessments in accordance with the provisions of *California Corporation Code Section 14303*.

**ARTICLE VI**  
**SERVICE AREA**

Memberships of this Corporation shall be issued only to the owners of the following land or portions of it, subject to Article II, Section 2 of the Bylaws, and such memberships shall be appurtenant to the land or portions of it.

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

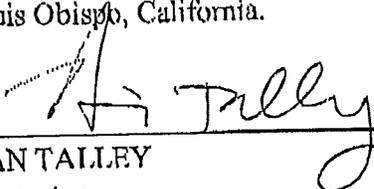
**ARTICLE VII**  
**ADDRESS OF THE BUSINESS OFFICE OF THE CORPORATION**

The address of the business or corporate office is 2900 Lopez Drive, Arroyo Grande, California 93420. This office is not on site. The nine-digit zip code of the development which makes up the service area is 93420. The front street and nearest cross street are Lopez Drive and Talley Farms Road.

**ARTICLE VIII**

Notwithstanding any of the above statements of purposes and powers, this corporation shall not, except to an unsubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purposes of this corporation.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation on July 8, 2008 at San Luis Obispo, California.

  
\_\_\_\_\_  
BRIAN TALLEY  
Incorporator

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.

  
\_\_\_\_\_  
BRIAN TALLEY  
Incorporator



LAS VENTANAS RANCH MUTUAL BENEFIT WATER COMPANY  
OFFERING CIRCULAR

**EXHIBIT “C”**

*Bylaws of Las Ventanas Ranch Mutual Benefit Water Company*

**EXHIBIT “C”**

**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**

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**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**

**February 22, 2010**

**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 of Member.**

Members of the Corporation shall be the owners of lots within the Service Area of the Corporation described in Article X of these Bylaws, which shall number not more than fifty-five (55) lots. A lot 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 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. The owner or owners of Open Space Lots will not be members of the Corporation or entitled to membership in the Corporation and accordingly will not be entitled in any way to distribution of water from the Corporation. 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 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 face 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 For Member Other Than Developer.

Each member shall be entitled to one (1) vote for each membership certificate held on each matter submitted to the vote of the members. Las Ventanas Ranch, Inc. (collectively hereinafter referred to as "Owner and Developer of the Project") the owner and developer of the project shall have three (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, Inc. shall have three (3) votes for each lot owned until such time as it has, in fact, sold forty-two (42) lots. Thereafter, Las Ventanas Ranch, Inc. 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. 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.

## **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 depositaries 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 accounting books and records and the Minutes of the proceedings of the members and the Board of Directors and its Committees shall be open to inspection by the members from time to time and in a manner provided in Section 8330 of the Non-profit Corporation Law of California, and every Director shall have the right to inspect and copy all books, records, and documents of the Corporation and to inspect its properties, in a manner provided by Section 8334 of the Non-profit Mutual Benefit Corporation Law.

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 .

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, in the County of San Luis Obispo, State of California, as described in Map Book recorded on April 10, 2007 in Book 29 Pages 81 - 99 inclusive 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 \$100.00 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 .

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 *California 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.

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. The Board may likewise create and implement a tiered rate structure to discourage and/or prevent excessive water use above what the Board from time to time determines to be a safe daily water usage under the basic monthly rate. By way of example, the Board may determine in the future that a safe daily water usage is 300 gallons per day per member and thereafter set a tiered rate schedule that provides for a basic monthly rate for 300 gallons per day and an increased rate for water used in excess of 300 gallons per day.

## **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 including the reducing of water usage on a daily basis to less than one acre foot per year. The Board further reserves the right and power to install water meters to monitor the use of water by its members. So long as the Corporation's wells produce sufficient water, each member shall be entitled to nine hundred (900) gallons per day average water usage for the basic monthly rate established by the Board. The Board may however, if it feels it is reasonably necessary to do so, lower the amount of water that each member is entitled to under the basic rate.

## **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-three (23) pages, are the Bylaws of this Corporation as adopted by the Corporation's Incorporator on February 22, 2010.

IN WITNESS WHEREOF, I have subscribed my name and affixed the seal of this Corporation on February 22, 2010.

  
ROSEMARY TALLEY, Secretary

LAS VENTANAS RANCH MUTUAL BENEFIT WATER COMPANY  
OFFERING CIRCULAR

**EXHIBIT “D”**

*Certificate of Director of Public Health*

**EXHIBIT “D”**

STATE OF CALIFORNIA  
**DOMESTIC WATER SUPPLY PERMIT**

Issued To

**LAS VENTANAS RANCH MUTUAL BENEFIT  
WATER COMPANY**

**Public Water System No. 4000815**

By

**County of San Luis Obispo Environmental Health Services**

DATE: June 25, 2008



**WHEREAS:**

1. The **Las Ventanas Ranch Mutual Benefit Water Company** submitted an application dated **June 18, 2008** to **County of San Luis Obispo Environmental Health Services** to operate a public water system. The application was submitted in accordance with California Health and Safety Code, Section 116525.
2. This public water system is known as the **Las Ventanas Ranch Mutual Benefit Water Company** whose headquarters mailing address is located at **612 Clarion Court, San Luis Obispo, CA 93402**.
3. The legal owner of the **Las Ventanas Ranch Mutual Benefit Water Company** water system is **Las Ventanas Ranch Mutual Benefit Water Company**. **Las Ventanas Ranch Mutual Benefit Water Company**, therefore, is responsible for compliance with all statutory and regulatory drinking water requirements and the conditions set forth in this permit.
4. The public water system for which the permit application has been submitted is as described briefly below (a more detailed description of the permitted system is described in the attached Permit Report):

**Las Ventanas Ranch Mutual Benefit Water Company** is a community system serving 55 residential service connections with approximately 165 consumers. The system has two active wells, each of which produces 110 gallons per minute; total production is 220 gallons per minute.

Las Ventanas Ranch Mutual Benefit Water Company  
June 25, 2008

**And WHEREAS:**

1. **Las Ventanas Ranch Mutual Benefit Water Company** has submitted all of the required information relating to the existing operation of the **Las Ventanas Ranch Water System**.
2. The **County of San Luis Obispo Environmental Health Services** has evaluated all of the information submitted by the **Las Ventanas Ranch Mutual Benefit Water Company** and has conducted a physical investigation of the existing **Las Ventanas Ranch Water System**.
3. The **County of San Luis Obispo Environmental Health Services** has been delegated authority to issue domestic water supply permits pursuant to Health and Safety Code Section 116540.

**THEREFORE:** The **County of San Luis Obispo Environmental Health Services** has determined the following:

1. The **Las Ventanas Ranch Water System** meets the criteria for and is hereby classified as a **community water system**.
2. The applicant has demonstrated that the existing **Las Ventanas Ranch Water System** has sufficient source capacity to serve the anticipated water demand for at least **10 years**.
3. The design of the proposed water system complies with the Water Works Standards and all applicable regulations.
4. The applicant has demonstrated adequate technical, managerial, and financial capacity to operate reliably the proposed water system.
5. Provided the following conditions are complied with, the **Las Ventanas Ranch Water System** should be capable of providing water to consumers that is pure, wholesome, and potable and in compliance with statutory and regulatory drinking water requirements at all times.

**THE LAS VENTANAS RANCH MUTUAL BENEFIT WATER COMPANY IS HEREBY ISSUED THIS DOMESTIC WATER SUPPLY PERMIT TO OPERATE THE LAS VENTANAS RANCH WATER SYSTEM.**

The **Las Ventanas Ranch Water System** shall comply with the following permit conditions:

**California Safe Drinking Water Act**

1. The **Las Ventanas Ranch Mutual Benefit Water Company** shall comply with all State laws applicable to public water systems, including, but not limited to the Health and Safety Code and any regulations, standards, or orders adopted there under.

**Operator Certification Program**

2. The distribution system shall be operated by personnel who have been certified in accordance with the Regulations Relating to Certification of Distribution System, California Code of Regulations, Title 22. The **Las Ventanas Ranch Mutual Benefit Water Company** will need a D1 certified operator for the operation of the water system.

**Cross-Connection Control Program**

3. The **Las Ventanas Ranch Mutual Benefit Water Company** shall comply with Title 17 of the California Code of Regulations (CCR), to prevent the water system and treatment facilities from being contaminated from possible cross-connections. The **Las Ventanas Ranch Mutual Benefit Water Company** shall maintain a program for the protection of the domestic water system against backflow from premises having dual or unsafe water systems in accordance with Title 17. All backflow prevention devices shall be tested annually.

**Approved Sources**

4. The only sources approved for potable water supply are listed below. The Las Ventanas Ranch Mutual Benefit Water Company shall provide reliable chlorination treatment for the distribution system at all times and maintain a chlorine residual of minimum of 0.5-1.0 mg/l at the storage tanks.

Source	Status	PS Code
Well A	Active	4000815-001
Well B	Active	4000815-002

5. No changes, additions, or modifications shall be made to the sources or treatment mentioned in Conditions No. 4 unless an amended water permit has first been obtained from Environmental Health Services.

**Water Quality Monitoring**

6. The existing sources shall continued to be analyzed for, and prior to using a new or inactive well for domestic purposes, bacteriological and complete chemical analysis of the water produced, including secondary standards and inorganic chemicals shall be submitted to Environmental Health Services, to determine compliance with the California Drinking Water Quality Standards. The analyses shall be made by an approved state certified laboratory and shall be submitted electronically on state approved forms.
7. The **Las Ventanas Ranch Mutual Benefit Water Company** shall analyze at least one sample from its distribution system monthly for bacteriological quality in accordance with its approved bacteriological sample-siting plan. A bacteriological analyses report shall be submitted to this office by the tenth of the month following sampling.
8. The **Las Ventanas Ranch Mutual Benefit Water Company** shall contact this office by phone concerning any acute violation or the occurrence of a hazardous situation. MCL violations will require public notification and corrective action.

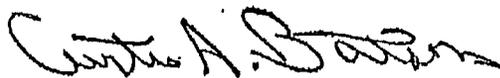
Las Ventanas Ranch Mutual Benefit Water Company  
June 25, 2008

This permit supersedes all previous domestic water supply permits issued for this public water system and shall remain in effect unless and until it is amended, revised, reissued, or declared to be null and void by the **County of San Luis Obispo Environmental Health Services**. This permit is non-transferable. Should the **Las Ventanas Ranch Mutual Benefit Water Company** Water System undergo a change of ownership, the new owner must apply for and receive a new domestic water supply permit.

Any change in the source of water for the water system, any modification of the method of treatment as described in the Permit Report, or any addition of distribution system storage reservoirs shall not be made unless an application for such change is submitted to the **County of San Luis Obispo Environmental Health Services**.

This permit shall be effective as of the date shown below.

**FOR COUNTY OF SAN LUIS OBISPO ENVIRONMENTAL HEALTH SERVICES**



**Curtis Batson**  
**Director, Environmental Health Services**

Dated: June 25, 2008

**LAS VENTANAS RANCH WATER SYSTEM  
SYSTEM # 4000815  
WATER QUALITY MONITORING SCHEDULE**

**WELL B (4000815-002) Source Code**

<u>Chemical</u>	<u>Frequency</u>	<u>Last Completed</u>	<u>Due Again</u>
Nitrate	Annually	07/2005	07/2008
Inorganic Chemicals (IOCs) Asbestos-waived	Every 3 years	07/2005	07/2008
Nitrite	Every 3 years	07/2005	07/2008
Secondary Standards Thiobencarb-waived	Every 3 years	07/2005	07/2008
Volatile Organic Chemicals (VOCs)	Every 3-6 years	03/2006	03/2009
Synthetic Organic Chemicals (SOCs)			
Atrazine	Once	03/2006	Completed
Simazine	Once	03/2006	Completed
Radioactivity (Gross Alpha)	Initially quarterly for a year, then every 3-9 years	03/2006	<b>DUE NOW</b>
Lead & Copper **	Once every 6 months for a year, annually for 2 years, then every 3 years		
Total Trihalomethanes/Haloacetic Acids (TTHM/HAA5)			
Perchlorate			<b>DUE NOW</b>

\* Monitoring waiver extended

\*\* Samples to be collected at the consumers tap. All efforts should be made to use the same collection sites during all sampling periods. Results to be submitted with form 141-A

LAS VENTANAS RANCH MUTUAL BENEFIT WATER COMPANY  
OFFERING CIRCULAR

**EXHIBIT “E”**

*ENGINEER’S CONSENT*

**EXHIBIT “E”**

## LAS VENTANAS RANCH MUTUAL BENEFIT WATER COMPANY

In the County of San Luis Obispo

### Engineer's Statement

The water supply, distribution, and fire protection system for the Las Ventanas Ranch Mutual Benefit Water Company system (Tract 2408 - Phase 2) in the County of San Luis Obispo will adequately, dependably, and safely meet the total requirements for all water consumers under maximum consumption as defined by the CC&Rs for the development, County of San Luis Obispo standards, County Health requirements, State Health requirements, and California Division of Forestry (CDF) requirements, and will meet the requirements of Section 14314.

### Consent of Expert

I, Robert S. Miller, RCE 57474, hereby consent to the inclusion of, or reference to the Engineer's Report (Technical Report) and to the inclusion of my name in the prospectus or offering circular for the Las Ventanas Ranch Mutual Benefit Water Company system.



Robert S. Miller, RCE 57474

Certification appurtenant to Technical Report dated June, 2008

