

**BY-LAWS
OF
CEDARPINES PARK
MUTUAL WATER COMPANY**

1996

ARTICLE I: MISCELLANEOUS

Section 1.01

The General Corporation Law Applicable. The term “The General Corporation Law” is used in these by-laws with the same meaning as defined in Section 227 of the Civil Code of the State of California; and words, phrases and terms are used in these by-laws with the same meaning as used or defined in The General Corporation Law.

Section 1.02

Amendments. These by-laws may be repealed or amended or new by-laws adopted by (a) the vote of the shareholders entitled to exercise a majority of the voting power at a meeting of shareholders, or (b) the written assent of shareholders entitled to exercise a majority of the voting power, filed with the Secretary, or (c) unanimous vote of all of the members of the Board of Directors, or (d) any other method or any other manner now or hereafter authorized or permitted by law; provided any by-law adopted by the Board of Directors may be repealed or amended by the Shareholders, and this Article may only be amended or repealed by the shareholders, who alone shall have the right to determine by whom and to what extent and in what manner the by-laws may be amended, or repealed, or new by-laws adopted; and provided further **Sections 2.15, 2.16, and 6.01** of these by-laws (being the same sections designated as Section 2 of Article 1 and Section 1 and 2 of Article V of the original by-laws of this corporation) shall not be altered, amended, repealed except by the unanimous written consent or the vote of all the members.

ARTICLE II: SHAREHOLDERS

Section 2.01

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

Section 2.02

Annual Meeting: A meeting of the Shareholders to be known as the “Annual Meeting” shall be held each year on the last Saturday of July at 1:30PM for the purpose of electing a Board of Directors and other purposes.

Section 2.03

Special Meetings: Special Meetings of the shareholders, for any purpose or purposes whatsoever, may be held at any time upon call, which shall be made by the president, or by the Board of Directors, by resolution adopted by majority vote, or by the written assent of a majority of all the acting Directors filed with the Secretary, or by one or more shareholders holding not less than one-fifth of the voting power of the company.

Section 2.04

Place of Meetings: unless some other place shall be appointed in any instance or instances, as hereinafter provided, meetings of shareholders, both annual and special, shall be held at the principle office of the Company.

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

Section 2.05

Notice of Meeting. Written notice of each meeting of shareholders, whether annual or special, shall be given to each shareholder entitled to notice, not less than five (5) days before the meeting, in any of the following ways:

First: By delivering such notice personally; or

Second: By mailing such notice, charges prepaid, addressed to such shareholder at his address appearing on the books of the Company. If no address appears on the books of the Company, then the notice shall be addressed to the shareholder at the last known or believed by the Secretary to be the address of such shareholder, or at the option of the corporation addressed at the place where the principle office of the Company is situated; or

Third: In any other manner provided by law.

Whenever a Shareholder shall in writing give the Company an address for the purpose of notice, the same shall be deemed the shareholder's "address appearing on the books of the Company," as such term is herein used; and in addressing a notice to a Shareholder, "Where the principle office of the Company is situated," as such term is herein used, the address to be set forth shall be the post office name of the city or community and the state in which said principle office is situated, and no street or other specific address in said city or community shall be stated.

Section 2.06

Form of Notice and Statement of Purpose. Notice of any meeting shall specify the place, the day and the hour of the meeting. In the case of special meetings, the general nature of the business to be transacted shall be stated in the notice, but in the case of the annual meeting need not be stated; provided, however the provisions of Section 312 of the Civil Code requiring notice to the shareholders of special proposals to be submitted at a meeting, whether annual or special, shall always be observed.

Section 2.07

Shareholders Entitled to Notice. All notices of any meeting shall be mailed on the same day at the same time. Where notice of the Shareholders' meeting is to be mailed, notice shall be given to those who appear from the stock records as record holders at o'clock PM on the day immediately preceding the day of mailing: 4:00 o'clock PM on the day immediately preceding the day mailing is the record date and time for the determination of Shareholders entitled to notice the meeting.

Section 2.08

Shareholders Entitled to Vote. Four o'clock PM on the Seventh day next preceding the day first appointed for a shareholders' meeting is hereby fixed as the time for the close of stock books, and the determination of those entitled to vote at the meeting and subject to the provisions of law, only persons in whose names the shares stand on the stock records of the Company at the close of the stock books, as aforesaid, shall be entitled to vote at the meeting or any adjournment thereof.

No transfer of shares shall be made on the stock records of the Company during the period elapsing between said close of stock books and adjournment of the meeting on the day first appointed thereof. If a meeting be adjourned to a subsequent date, the stock books shall open upon adjournment so as to permit transfer, but not so as to affect the right of voting, determined as above provided.

Section 2.09

Business to Be Transacted. At the annual meeting, directors to the number authorized shall be elected, reports of the affairs of the Company shall be considered, and any other business may be transacted which is within the powers of the Shareholders, including the amendment, repeal and adoption of the by-laws, the approval and ratification of amendments to the Articles of Incorporation, and action upon or with the respect to any or all questions and matters requiring the vote, consent or approval of the Shareholders, or with the respect to which the Shareholders are permitted to act, subject, however, to the provisions of Section 312 of the Civil Code, requiring notice to the shareholders of special proposals. At a special meeting, any business may be transacted of the general nature specified in the notice thereof, but not otherwise.

Section 2.10

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

Section 2.11

Election of Directors and Cumulative Voting. In an election of directors, the entire number to be elected shall be elected at the same time and upon a single vote or ballot, and directors shall not be elected separately or in any number less than the entire number to be elected.

That is no election shall cumulative voting be allowed under any consideration.

If there has been nominated for the office of director more than the number to be elected, or upon the demand of any shareholder represented at the meeting, or if voting by mail has been provided for, the election shall be by written ballot, otherwise, it shall be viva voce.

Section 2.12

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

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

Section 2.13

Inspectors of Elections. Inspectors, or an Inspector, of Elections may be appointed in the manner and with the effect provided for in said Chapter VI of the General Corporation Law, and shall have and exercise the powers and authority there provided, subject to the provisions of law the by-laws and the rules and regulations.

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

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

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

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

Section 2.14

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

Section 2.15

Quorum of Shareholders. A majority of the shares issued, outstanding, in good standing represented either in person or by proxy shall constitute a quorum for the transaction of business. Each shareholder shall be entitled to one vote for each share standing in his name on the books of the Company, whether represented in person or by proxy.

Section 2.16

Qualifications of Shareholders. Any person or persons owning a lot or lots in said Cedarpines Park tracts shall be entitled to membership in the Cedarpines Park Mutual Water Company upon subscribing for one or more shares of the company, it being understood that one share shall be issued for each lot, which shall be appurtenant to said land, (and any subscriber owning more than one lot shall not be entitled to membership and no subscription shall be accepted by the company directly or indirectly, unless subscription is entered for the total number of lots owned by said subscriber, and any member admitted after incorporation shall have all the rights and privileges, and shall be subject to the same responsibilities, as members of the association prior thereto).

ARTICLE III: DIRECTORS

Section 3.01

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

Section 3.02

Qualifications of Terms. A director shall be a shareholder. The term of office of a director shall begin immediately upon his election.

The Director receiving the highest number of votes shall serve for three years from the date of his said election; the two Directors receiving the next highest number of votes shall serve for two years from and after the date of their said election and the two remaining elected Directors shall serve for one year. In subsequent annual meetings of Shareholders, vacancies on the Board shall be filled as they occur by the election of Directors whose term of office shall be, and they are hereby fixed, at three years.

Section 3.03

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

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

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

Section 3.04

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

Section 3.05

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

Section 3.06

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

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

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

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

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

Section 3.07

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

Section 3.08

Waiver of Notice and Consent to Meetings. Directors may waive any and all provisions of law and/or of these by-laws, in respect of call, notice and place of meeting, or any of them, and may consent to the holding of any meeting, without call and notice, or either of them, and without regard to the place where held; and any director may waive call, notice and place of meeting, or any of them, in respect of himself, and may consent to the holding of any meeting without call and notice, or either of them, and without regard to the place where held.

Any regular or special meeting of directors, held with or upon the unanimous consent or approval of all the members of the Board (and attended by not less than a quorum) shall be valid without regard to call and notice, or either of them, and regard to the place where held, and the proceedings of any such meeting shall be valid and constitute the act, or acts, of the Board of Directors, as fully and conclusively as though taken and had at a meeting duly called and noticed and held at the place duly appointed therefor. Attendance at and participation in the proceedings of any meeting (attended and participated in by not less than a quorum), without objection to the regularity or sufficiency of, or lack of, call and notice, or either, or the place where held, shall constitute and be a waiver in respect of such matters and a irrevocable consent to the holding of such meeting on the part of and by each director so attending and participating without objection.

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

- (a) In writing, filed with the Secretary, either before, during or after the meeting;
- (b) Subscribing at the foot of the minutes of such meeting an approval of such minutes;
- (c) Approval, without objection, of the minutes of such meeting at a subsequent meeting of the board, attended by the director who was absent from the first mentioned meeting and whose waiver or consent is to be secured.

Section 3.09

Vacancies. Any vacancy in the office of director, however created or arising, may be filled by a majority of the remaining directors, though less than an quorum; and the shareholders may fill any vacancy existing at any time and not filled by the directors.

Section 3.10

Quorum. A majority of the authorized number of directors shall be necessary to constitute a quorum for the transaction of business; and, unless otherwise required by law or these by-laws, every act or decision done or made by a majority of directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors.

Section 3.11

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

Section 3.12

Compensation of Directors. Directors shall receive no stated salary for their services as directors, but each director shall be paid for each regular or special meeting attended by him such sum as may be fixed by the Board from time to time, not exceeding \$50. A director shall be allowed his reasonable expenses (which include transportation, meals and lodging) when actually engaged in the business of the Company, to be audited, allowed and paid as other claims against the Company.

ARTICLE IV: SHAREHOLDERS

Section 4.01

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

Section 4.02

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

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

Section 4.03

Where Notice Is To Be Mailed. When resort is had to giving any notice by mail, such notice shall be deposited in the United States Post Office in the city or community in which the principal office of the Company is situated or in a United States Post Office within not more than 50 miles from said principal office, with postage thereon prepaid, and directed to the person to be served at the address of such person, if such address appears on the records of the Company and if same does not appear on such records then addressed to such person at the address last known or believed by the Secretary to be the address of such shareholder, or at the option of the company at the Post Office in the locality where is situated the principal office of the Company or from which delivery of mail is made to the principal office of the Company. The notice shall be deemed to have been deposited in said Post Office if delivered to a letter

carrier making mail deliveries from said Post Office, or when deposited in a letter box, or other mail receptacle from which mail is regularly collected for the Post Office.

Section 4.04

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

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

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

Section 4.05

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

Section 4.06

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

ARTICLE V: OFFICERS

Section 5.01

Number of Officers. The Officer of the Company (herein called “regular officers”) shall be elected by the directors, and shall be a President, Vice-President, a Secretary and a Treasurer. The Board may also appoint one or more additional Vice-Presidents, one or more Assistant-Secretaries, one or more Assistant-Treasurers, and such other officers as they deem desirable for the transaction of the business of the Company. The President and Vice-President shall be members of the Board of Directors, and if either shall cease to be a director at any time, he shall, ipso facto, cease to be such President and Vice-President, no other of said officers need be members of the Board of Directors. Any two or more of said offices, except those of President and Secretary, may be held by the same person. Regular officers shall be elected annually at the organization meeting of the Board, or whenever the Board shall determine: provided, they may always be elected whenever a vacancy exist, Other officers may be elected at any meeting of the Board, unless they resign or become or be disqualified, all of the officers shall hold office until their successors are chosen and qualified. Any officer, whether elected or appointed by the Board of Directors, may be removed at any time by the affirmative vote of a majority of the whole Board of Directors, and each officer shall take and hold office subject to the right of removal by the Board of Directors.

Section 5.02

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

- (a) Preside at all meetings of the Shareholders and directors. Such shall not prevent him from voting, either at shareholders’ meeting, or as a director at a directors’ meeting upon any question:

- (b) Unless otherwise directed by the Board of Directors, sign as President all deeds and all other instruments in writing which has been first approved or authorized by the Board of Directors:

- (c) Have subject to advice of the directors, general and active supervision of the business and affairs of the corporation, and shall have power to cause the orders and resolutions of the Board to be carried into effect.

Section 5.03

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

Section 5.04

Secretary. The secretary shall:

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

Section 5.05

Treasurer. The treasurer shall;

- (a) Have custody of the corporate funds and securities and keep full and accurate accounts of receipts and disbursements in books belonging to the Company, and deposit all money and other valuable effects in the name and to the credit of the Company, in such depositories as may be designated by the Board of Directors;
- (b) Disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements and render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Company: provided, the Board may prescribe the manner in which funds shall be withdrawn from and paid out by any depository;

(c) Give the Company a bond if required by the Board of Directors in a sum, and with one or more sureties satisfactory to the Board, for the faithful performance of the duties of his office, and for the restoration of the Company, in case of death, resignation, retirement or removal from the office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Company.

Section 5.06

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

Section 5.07

Residence Requirements. Both the President and Vice-President of the Board of Directors must be fulltime, year-round resident of Cedarpines Park, California.

ARTICLE VI: CERTIFICATES AND TRANSFERS OF SHARES

Section 6.01

By Whom Signed. The certificates of shares shall be signed by the President and Secretary and be attested by the corporate seal. In the absence of the President, certificates of shares may be signed by the Vice-President. The shares may be transferred by the endorsement of the signature of the owner or by his Attorney in fact and by the delivery of the certificate to the Secretary, and such transfer shall not be valid until the same is so entered upon the books of the Company, showing the name or names of the party or parties by and to whom transferred the number of shares and the date of transfer provided that no certificate or certificates of shares shall be transferred on the books of the Company, unless accompanied by a bona fide transfer by the owner of one lot for each share or some interest therein, to which the certificate or certificates of shares sought to be transferred shall be appurtenant, and the transfer of any lot, shall operate as the transfer of the share appurtenant thereto. A transfer fee of Twenty Dollars shall be paid on the transfer of such certificate.

Section 6.02

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

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

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

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

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

Section 6.03

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

Section 6.04

Effect of Registration of Pledge. When any pledge has been so registered, the shares shall be held, rights in respect thereof exercised and the pledge released or transferred, upon and subject to the provisions, and in the manner and with the effect, as follows:

The record holder shall be deemed the shareholder as regards the Company, and as such, represent the shares and exercise all rights, vote, consent and assent in respect thereof, and be entitled to the benefit of such service as the Company provides for or renders to its shareholders.

The rights and interest of the record holder and of any successor, and the title to such shares, may be transferred upon the books of the Company and a new certificate issued subject to the pledge, without the act, consent or endorsement of the pledgee.

When a pledge has been so registered, and the address of the pledgee appears on the books or records of the Company, the Company will not sell or forfeit the pledged shares for non-payment of an assessment, unless at least ten days prior to such sale or forfeiture there is mailed to such pledgee at said address of the pledgee, or in lieu thereof, delivered to the pledgee, a copy of the notice of assessment given with respect to such assessment, or in lieu of such copy, a notice stating the fact of the assessment, and the time and place for the sale or forfeiture of delinquent shares.

The pledgee shall not be personally liable for the payment of tolls, water charges, or assessments, unless payment thereof has been assumed or guaranteed by the pledgee, or service rendered upon or to the order of the pledgee.

The interest and rights of the pledgee, as such, may be transferred on the records of the Company and a new certificate issued (upon cancellation of the old) showing the new pledgee, or a pledge may be released without the act, consent or endorsement of the record holder, or of anyone appearing to be the owner of said shares.

Section 6.05

Charges and Liens on Shares. Each charge or toll for water delivered to or for the record holder of any shares by virtue of or in respect of ownership of such shares is a lien against said shares from the time when furnished until paid. Said lien may be foreclosed in the manner now or as may be hereafter provided by law of the State of California for foreclosure of a pledge. Notice of the time and place appointed for the sale of any shares upon foreclosure of such lien shall be mailed to the record holder of said shares at the address of such record holder as it then appears upon the books of the Company, and if no address appears then mailed to said record holder at the city or community where the principal office is situated. No demand for payment or other notice of sale to the record holder or to any person appearing by the records of the Company to have interest in said shares need be given other than as hereinbefore provided. At any such sale or sales the Company may bid and purchase.

Section 6.06

No Transfer While Unpaid Liens. No transfer of the shares of the Company can or will be made on the books of the Company while any assessment charge or toll there against remains or is unpaid.

Section 6.07

Assessments and Liens. The Board of Directors shall provide that each certificate shall bear on its face a statement that the shares evidenced thereby are assessable and subject to liens and such other provisions in connection therewith as it deems proper, subject to the law, the Articles of Incorporation and these by-laws.

Section 6.08

Penalties, Interest and Collection Costs. Each shareholder shall be liable for payment of and shall pay to the Company upon its demand, all expenses incurred by the Company in collecting or enforcing payment from such shareholder of any delinquent assessment, charge toll or other indebtedness. Included in such expenses are attorney's fees in any proceeding for the enforcement of any liens herein provided for, or the collection of such indebtedness, whether by court action or otherwise, and all expenses of any sale.

All penalties on delinquent assessments, interest on overdue charges, tolls or other indebtedness and expenses of collection as above provided for, shall be added to the principal debt and shall become and be a lien upon and against the shares and be secured thereby and enforced in the same manner and with the same effect as the principal debt.

Wherever elsewhere in these by-laws or in the share certificates the terms assessment, charge, toll or any of them shall be used, such term shall be deemed to include, in each and every instance whenever such construction is possible or permissible, all penalties, interest and collection expenses pertaining to such assessment, charge or toll or attaching accruing or resulting from the non-payment thereof when due.

Section 6.09

Record Holder Liable for Tolls and Charges. The record holder of any shares shall be entitled to the delivery of all water apportioned to such shares, subject to suspension or discontinuance, as herein provided, and shall be personally liable for the payment of all tolls, charges, interest, costs and penalties in respect of or on account of such shares during the time the same are registered in his name on the books of the Company.

ARTICLE VII: POWERS OF BOARD DIRECTORS

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

Section 7.01

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

Section 7.02

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

Section 7.03

Financial Reports. To prescribe the form and provide for making and giving annual financial statement and report to the shareholders.

Section 7.04

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

Section 7.05

Transfer fee. If section 6.01 hereon shall ever be amended or repealed in so far as it provides as to transfer fees, then to provide for the payment of a transfer fee to be fixed by the Board, for the transfer of shares upon the books of the Company; provided, such transfer fee shall not exceed twenty dollars (\$20.00) for each certificate transferred.

Section 7.06

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

Section 7.07

Dismissal of Employees. To dismiss any employee (whether regular or temporary) and terminate his employment, regardless of the period of employment, whether express or implied, without liability on the Company, other than for compensation for services actually performed to the time of dismissal and pro-rated (if that be necessary) at the rate provided for in the contract, or otherwise agreed upon or payable; and regardless of whether so stated in the contract or at the time of hiring, the power of the Board to dismiss an employee, as herein provided, shall be deemed a part of every employment and every contract of employment whether such contract of employment be written or in parole; and no officer, superintendent, or other representative of the Company, shall have any authority to employ any person other than upon and subject to the right of the Board to terminate the employment at any time, without liability resulting there from; provided further, the Board shall have power to waive such right of dismissal in any hiring for a period of not in excess of one year, when the contract

is in writing and shall contain an express waiver to this provision and shall have been expressly authorized by resolution of the Board.

Section 7.08

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

Section 7.09

Tolls and Assessment. To fix, and from time to time change, the charges or tolls payable for water furnished or other service rendered: and to levy, collect and enforce assessments against the shares of stock.

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

Section 7.10

Delinquency and Interest. To provide the time when tolls, charges, and accounts shall be past due and when delinquent, and for the payment of interest on past due tolls, charges and accounts at the rate of 10% of the unpaid balance and 1% per month thereafter.

Section 7.11

Penalties. To provide for the imposition and enforcement of a penalty for violation of the rules and regulations of the Company, not exceeding in any instance of the sum of Fifty Dollars (\$50.00).

Section 7.12

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

discontinuance may be solely with respect to the delinquent shares, or with respect to all shares of the shareholder, whether delinquent or not.

Section 7.13

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

No shareholder, by virtue of the ownership of shares, shall be entitled to connect with the distribution system used by the Company for delivery of water, or take water therefrom, except with the consent and upon and subject to the rules and regulations of the Company pertaining thereto; and the Company reserves and shall have full control over all storing, distributing, measuring and diversion appliances, and over all water until it shall have been actually released or delivered to the shareholder.

Section 7.14

Regulation of Water Service. To provide, determine and fix, at such time or times and in such manner as the Board shall determine, and to change, the amount of water that may be drawn or taken for each share, use, lot, habitation, house, property, or class of property, and the times when and the number of shares that must be held or owned for service to or with respect to any property, habitation, or use; the notice required for and the conditions under which delivery is to be made or discontinued, and for loss of the right to water when not taken during or at the time fixed therefore.

Section 7.15

Extension of Distributing System. To provide and determine the place or places where, and the points to which, the water distributing system, or any other system, service, or appliances of the Company shall be located or extended. The holding of shares of the Company shall confer no right upon the shareholder to have any pipe line, water conduit, or other appliance of the Company enlarged or extended without the consent of the Board of Directors; and the Board of Directors shall, at all times, be the exclusive judge of the necessity and expedience of constructing, enlarging, changing and extending the water distribution system or other appliances of the Company, and such expedience and necessity shall, at all times, be determined by and subject to the sole and uncontrolled discretion of the Board of Directors.

ARTICLE VIII: WATER DISTRICT AND SERVICE

Section 8.01

District Defined. As used in these by-laws, the expression "District" refers to and means all that certain land area situate in the County of San Bernardino, California, described as,

CEDARPINES PARK and CEDARPINES HIGHLANDS, according to respective maps thereof recorded in the office of the County Recorder of San Bernardino County, California.

Section 8.02

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

Section 8.03

How Change Effected. The Change provided for in the preceding section may be made by unanimous resolution of the Board of Directors, provided, however, that if the area of all land added within the preceding 12 month period exceeds ten acres, or if the proposed addition is not contiguous to a portion of the existing district, then the action of the Board of Directors must be approved by the vote or written consent of shareholders entitled to exercise majority of the voting power of the company.

Section 8.04

Water Service Within District. The company will maintain within the district, or such parts thereof as the Board shall determine, a water distributing system consisting of pipes with water therein under pressure, for furnishing water to its shareholders at service connections established pursuant the rules of the Company.

Service will be rendered only within the District and will be supplied only for use in connection with the occupancy or use of lands within the District.

Section 8.05

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

No shareholder or other person shall transport or take, or have any right to transport or take, water supplied by the Company without the District, for use upon lands lying without the District, or for use without the District, and the Company may withhold delivery of any water because of its use, or threatened use without the District.

Section 8.06

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

Section 8.07

Water Service. No share shall entitle a consumer to service at more than one place, or through more than one service connection.

No service shall be rendered to or at any property or parcel of land within the District unless the required number of shares be attached to such land, as elsewhere in these by-laws provided; and a consumer shall not be entitled to service on or in respect of any property unless the consumer be entitled to receive the water from as many shares as required to be attached, as elsewhere provided.

Section 8.08

Right of Way for Distributing System. The Company shall have a permanent and continuing easement and right of way in, over, upon and across all highways and streets in the district for the purpose of constructing, relocating, repairing, replacing, removing, enlarging, inspecting, maintaining, protecting and operating its water distributing system with all pipes, hydrants, connections and meters, and the right once exercised for one or more of said purposes shall not exclude the right to exercise it at some subsequent time for other, or others, of said purposes.

The company shall also have a like easement and right of way, upon like conditions, in, over, upon and across the premises of each shareholder in the District for the purpose of operating its water service to such shareholder.

Each shareholder, by applying for or taking service from the Company, confers upon the Company such right of way, and consents that the Company enter upon such highways and the premises of the shareholder from time to time and at any time for the purpose of exercising such rights, and that cessation of service by or to the shareholder shall not affect or impair said rights.

Each shareholder shall, upon demand of the Company either before or during the continuance of service, confirm and assure such right of way to and in the Company by executing, acknowledging and delivering to the Company a separate instrument in form and provisions prescribed by the Company.

Section 8.09

Share Requirements for Service. No water service shall be supplied by the company to any person owning or holding less than one share of the Company's stock, nor shall water be served to any shareholder through more than one connection (whether metered or otherwise) for each share of the Company's stock owned or held by such shareholder.

ARTICLE IX: SHARES ATTACHED TO LAND

Section 9.01

Definitions. Terms and expression are used in these by-laws with the following meaning:

- (a) "Lot" shall mean an area of land in one lot not to exceed 3,000 square feet in area; if any single lot of land shall exceed 3,000 square feet in area, it shall be deemed to constitute as many lots as the number by which 3,000 square feet must be multiplied to equal or exceed the area of such lot. Contiguous lots owned by the same Shareholder shall be defined as one "lot" for square footage purposes.
- (b) "Person" includes corporation, partnership or association.
- (c) "Water service" means the delivery of water to a shareholder of the Company, or an assignee of the shareholder.
- (d) An assignee of the shareholder is one who as purchaser, lessee, licensee or assignee of such shareholder is entitled to receive (for a limited period) the water deliverable in respect of one or more shares of which the shareholder is the record holder.
- (e) A consumer is one receiving or entitled to receive water service from the Company.
- (f) An owner of land included one having an estate in the land entitling him to its present possession, whether as contentent, joint tenant, purchaser under an executory agreement of sale, lessee or otherwise.

Section 9-02

Fractional Shares. A share may not be divided, and no fractional share may be issued.

Section 9.03

Qualifications for Shareholding. The shares of the Company may not be transferred to or held by a person who is not at such time the owner of lands within the District, and no person may be a shareholder in the Company unless at such time he be the owner of lands within the District.

No person may acquire or hold or own shares of the Company in excess of the number of lots owned by him in the District at such time.

The provisions and limitations in this section, or any of them, may be waived by unanimous vote of the Board of Directors in any instance as to one or more shares, or one or more persons or shareholders.

Section 9.04

Shares Attached to Lands. For purpose of water service and transfer, the shares of each shareholder shall be deemed to attach to and remain attached to the lands of such shareholder within the District and on the basis of one share of each lot.

Attached shares pass with the land and are incapable of severance therefrom, either voluntarily or involuntary, except upon a sale or forfeiture for delinquent assessment.

It is not intended to make the share appurtenant to lands by complying with the provisions of Section 330.24 of the California Civil Code, but it is intended that said shares shall be appurtenant to the extent and for the purpose herein stated and provided for as a matter of contract and regulation.

Section 9.05

Shares Pass With Land. Whenever the legal title to any lot of land within the District shall be transferred, whether voluntarily or involuntarily, there shall automatically pass to and vest in the new owner of such lot the shares attached thereto, if any, unless the transferor expressly reserve the same with the consent of approval of the Board of Directors.

If title to part of a lot of land be transferred, there shall pass to and vest in the transferee, as many shares (out of all) as shall equal the number thousands of square feet in the transferred part divided by three. The Board of directors shall have power to determine the number of shares passing with any lot of land, and to cause the same to be transferred upon the records of the Company, and its determination shall be conclusive.

Section 9.06

Hypothecation of Shares. Shares may be hypothecated or encumbered only when the land to which the shares are attached is hypothecated or encumbered to the same obligation.

Section 9.07

Liability regarding Transfers. No liability shall be incurred by the secretary, or by the office of the Company, for transferring any shares, or refusing to transfer any shares, as long as such Secretary, or other officer, acts in good faith and according to what is deemed the rights of the parties; and the shares shall be deemed of no value apart from the lands to which attached; and each shareholder, and any other person, expressly waives the benefit of all provisions of law imposing a penalty upon an officer of a corporation for wrongfully transferring or failure to transfer shares of a corporation, and agrees to only remedy of such party is for actual damages, if any.