

BYLAWS OF
DIAMOND “A” MUTUAL WATER CO., INC.,
A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION
ARTICLE ONE:
General Matters

1.1 Corporate Name. The name of this corporation is DIAMOND “A” MUTUAL WATER CO., INC., a California Nonprofit Mutual Benefit Corporation.

Section 1.1 is new. The old By-Laws didn't state the name of the corporation.

1.2 Principal Office. The principal office for the transaction of the activities and affairs of this corporation is located at the Diamond “A” Recreational Center, Spring Drive, Sonoma County, California. The board of directors may change the location of the principal office. Any such change of location must be noted by the secretary on these bylaws opposite this Section; alternatively, this Section may be amended to state the new location. The board may at any time establish branch or subordinate offices at any place or places where this corporation is qualified to conduct its activities.

Section 1.2 replaces Article I, Section 1, and specifically names the Diamond A Recreational Center on Spring Drive, Sonoma County, California as the principal office.

1.3 General and Specific Purposes; Limitations Purpose. The purpose of this corporation is as stated in its Articles of Incorporation, as may be amended from time to time. Any limitations of purpose stated in the Articles binds the corporation.

Section 1.3 is new. It is basically boiler plate.

1.4 Construction; Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, the singular includes the plural, the plural includes the singular, and the term “person” includes both a legal entity and a natural person.

Section 1.4 is new. It is basically boiler plate.

ARTICLE TWO.
Memberships

Article Two replaces Article Five, Memberships

2.1 Membership and Water Distribution. Except as provision is made by law, there shall be one class of membership to be composed exclusively of persons who own or hereafter acquire ownership of lots or parcels of land which are located within the boundaries of Unit One, Unit Two, Unit Three, Unit Four and Unit Five of Diamond “A” Ranch Estates subdivision, or owners of land immediately adjacent to said subdivision but within the confines of the original Diamond “A” Ranch (Unit map will be posted at the clubhouse for the Annual Meeting.) Each membership or share certificate in this Corporation, and all rights pertaining thereto or deriving there from, shall be appurtenant to the lot for which it is purchased. No certificate may be alienated in any

way from the lot to which it is appurtenant and shall automatically terminate and be void, without further value or effect, if sold, given, transferred, or alienated from the legal fee title ownership of the land. Any attempted prohibited transfer shall cause the automatic forfeiture of the certificate, and all rights pertaining thereto, to the Corporation. In no event shall the number of members of the Corporation exceed the number authorized by the Sonoma County Board of Health Regulations.

*Section 2.1 replaces Article V, section 1. There is no change in wording except that the phrase **and upon which a bona fide residence with necessary and appurtenant out-building has been constructed or is being constructed** has been deleted as it is not longer pertinent.*

2.2 Privileges. Owners of a lot in Diamond "A" Ranch Estates or land immediately adjacent thereto may apply for one membership in Diamond "A" Mutual Water Co., Inc. for that lot. Owners of more than one lot may apply for one membership for each lot. Each membership shall be entitled to one vote. Certificates for fractional membership shall not be issued. Applications for membership shall be subject to the approval of the Board of Directors, at their Sole Discretion, after giving consideration to the relevant factors of the application, including but not limited to, the availability of alternate water sources (either developed or undeveloped) to the applicant and the capacity, quality, and reliability of the entire water system, both before and after approval of said application.

Section 2.2 replaces Article V, section 2. There is no change in wording.

2.3 Water Entitlement. Subject to the provisions of this Article and any other limitations in these Bylaws, each membership certificate shall entitle the owner thereof to one water connection to the system. Such connection shall be limited to use of the subdivided lot to which the certificate is appurtenant, and use shall be limited to service for one (1) residence and necessary buildings, including one (1) guest house, service provided for watering lawns and gardens appurtenant to such residences, and such additional uses as may be permitted by these bylaws. Except as expressly provided by these bylaws, water shall be for domestic purposes only. The Board shall have authority for good cause to limit or restrict water use and/or adopt a tiered or stepped rate structure. "Good cause" shall include, but not be limited to, additional monetary cost, water availability, well or other water source depletion (temporary or permanent), pipe or tank capacity, and adequate rate of flow. No member shall use a disproportionate amount of water, or use water in a wasteful manner. In addition:

*Section 2.3 replaces Article V, section 3. There is a slight change in the first sentence. The old wording was **"Subject to the provisions of Article V, Sections 5 and 6, each membership certificate shall entitle the owner thereof to one water connection to the system."***

2.3.1. Water Entitlement for Subdivided Lots without Residences: In the event that there are no residences on the subdivided lot for which the certificate is held, water use shall be limited to incidental landscaping and hobby vineyards and/or orchards, as defined and regulated herein.

Section 2.3.1 replaces Article V, section 3 (a). There is no change in wording.

2.3.2. Hobby Vineyards: Subject to the Board's authority to prohibit, regulate or terminate such use, when the Board determines that adequate water exists for all domestic purposes of all certificate holders, it may permit water to be used for hobby vineyards or orchards on any subdivided lot for which the certificate is held. However, use of water for agricultural or commercial purposes, including vineyards and/or orchards in combination per such lot

greater than one half (1/2) acre in total size per lot is not allowed. No permission to use such water shall ever be deemed a water right, and is fully revocable by the Board at any time in the exercise of its reasonable discretion.

Section 2.3.2 replaces Article V, section 3 (b). There is no change in wording

2.4 Membership Applications, Fees and Maintenance. Applications for new membership shall be submitted to the Board of Directors who shall establish from time to time the price of new membership. Said price shall consider the pro-rated share of the estimated replacement cost of the water system. Each member shall pay the costs of water connection to the lot, including the cost of a meter installation, and shall pay an annual charge as shall from time to time be fixed by the Board of Directors, for the necessary maintenance of the water system and operations, including production cost charges and a reasonable charge in the nature of a reserve fund which shall be invested as deemed wise, with banks or other interest bearing deposits. The Corporation shall adopt rules and regulations governing limitation or discontinuance of water service in the event of delinquency in payment of rate charges or assessments, or other reasonable and substantial violations of the articles or By-Laws, which shall be in conformity with the provisions of the Mutual Water Company Law (Civil Code Secs. 330.24 et seq.), especially Sec. 331, the provisions of the California Nonprofit Mutual Benefit Corporations Law with respect to discipline or termination of memberships, and the provisions of the articles and By-Laws.

Section 2.4 replaces Article V, section 4. There is no change in wording.

2.5 Restriction of Membership. A member must be in good standing in order to be entitled to vote at a meeting of the shareholders or pursuant to written consent of shareholders. A member shall be in good standing if said member is current with payments on assessments and water bills. A member shall be considered current if payment is received by the Corporation within ninety (90) days of the billing date. Any membership may be terminated by the Board of Directors for just cause as provided in Section 2.6 of this article.

Section 2.5 replaces Article V, section 5. There is no change in wording

2.6 Termination and Suspension of Membership.

Section 2.6 replaces Article V, section 6

2.6.1 Causes of Termination: A membership may be terminated on occurrence of any of the following events:

(1) Resignation of the member, on reasonable notice to the Corporation pursuant to the terms of Section 2.6.4, below, (2) Failure of the member to pay rate fees as set by the Board within ninety (90) days after they become due and payable; (3) Failure of the member to pay assessments within one hundred and eighty (180) days after they become due and payable; (4) Occurrence of any event that renders the member ineligible for membership, or failure to satisfy membership qualifications; or (5) Expulsion of the member under Section 2.6.4, below of these By- Laws based on the good faith determination by the Board, or a committee or person authorized by the Board to make such a determination, that the member has failed in a material and serious degree to observe the rules of conduct of the Corporation, or has engaged in conduct materially and seriously prejudicial to the purposes and interests of the Corporation.

Section 2.6.1 replaces Article V, section 6 (a). There is a correction of the numbering in the revision. There is no change in the meaning.

2.6.2 Suspension of Membership: A member may be suspended, under Section 2.6.3 of these By-Laws, based on the good faith determination by the Board, or a committee or person authorized by the Board to make such a determination, that the member has failed in a material and serious degree to observe the Corporation's rules of conduct, or has engaged in conduct materially and seriously prejudicial to the purposes and interests of the Corporation. Suspension may carry the penalties of loss of vote, temporary termination of water service, imposition of fees for costs incurred by the Corporation that are related to the grounds for the suspension, and other reasonable penalties. Further, a member's voting rights shall automatically be suspended under the provisions of Section 2.5, above. Any suspension of voting rights (except where a written ballot is mailed to members) shall be subject to appeal to the remainder of the voting power of the Corporation at a meeting at which the member is ineligible to vote. Any appeal must be made before a vote on a motion and shall not be renewed at that meeting if denied. No appeal shall require a second, and the chair of the meeting shall allow reasonable, but limited debate before putting the question to the membership. Any member not in good standing may be excluded from a meeting except for their appeal. A person whose membership is suspended shall not be a member during the period of suspension.

Section 2.6.2 replaces Article V, section 6(b). There is no change in the wording.

2.6.3 Procedure for Expulsion or Suspension: If grounds appear to exist for expulsion or suspension of a member under these By-Laws and/or applicable rules and regulations of the Corporation, the procedure set forth below shall be followed:

Section 2.6.3 replaces Article V, section 2.6 (c). There is no change in the wording.

2.6.3.1 Except for automatic suspension of voting rights under the terms of subsections 2.6.1 and 2.6.2, above, a member shall be given 15 days' prior notice of the proposed expulsion or suspension and the reasons for the proposed expulsion or suspension. The Notice shall contain a statement concerning what the member needs to do to avoid suspension or termination, if the grounds for suspension or termination can be cured, as well as a statement concerning the approximate current cost of reinstatement of membership once it has been terminated. The Notice shall also contain a statement that there is no guarantee that any member or successor owner of the lot to which that membership was appurtenant, will be allowed to rejoin the corporation. Notice shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be sent by first-class or registered mail to the member's last address as shown on the Corporation's records. It is the duty of each member to advise the Corporation of their mailing address and each member consents to service by first-class mail at their last address of record.

Section 2.6.3.1 replaces Article V, section 2.6 (c) (i). There is no change in wording

2.6.3.2 The member shall be given an opportunity to be heard, either orally or in writing, at least five (5) days before the effective date of the proposed expulsion or suspension. The hearing shall be held, or the written statement considered, by the Board or by a committee or person authorized by the Board to determine whether the expulsion or suspension should take place.

Section 2.6.3.2 replaces Article V, section 2.6 (c) (ii). There is no change in wording

2.6.3.3 The Board, committee, or person shall decide whether or not the member should be suspended, expelled, or sanctioned in some way. If the decision is to expel the member for

failure to pay rates or assessments, the member's share certificate shall be forfeit to the Corporation as provided in Civil Code Sec.331. If the decision is to expel the member for other reasons permitted under these By-Laws and any amendments to the Corporations Code which mandatorily impose a greater standard of due process on the Corporation, the decision of the Board, committee, or person shall be final, except for the limited appeal provided for suspension under subsection 2.6.2, above.

Section 2.6.3.3 replaces Article V, section 6 (c) (iii). There is a slight change in the wording. Sentences three and four of section 6 (c) (iii) are combined into one sentence. Formerly the third sentence started as an "If" statement, but included no "Then" conclusion.

2.6.3.4 Any action challenging an expulsion, suspension, or termination of membership, including a claim alleging defective notice, must be commenced within one year after the date of the expulsion, suspension, or termination. The Board may enact reasonable procedures compatible with the spirit of these By-Laws, designed to provide reasonable due process rights to members, even though such procedures violate the strict terms of this Section. Any variance from these By-Laws or established procedures shall not give rise to a claim against the Corporation by any member if the suspension, expulsion or other penalty was reasonably and fairly imposed in a manner consistent with minimal due process requirements of the California Nonprofit Mutual Benefit Corporations Law or other applicable law.

Section 2.6.3.4 replaces Article V, section 6 (c) (iv). There is no change to the wording

2.6.4 Resignation: Any member may resign his membership at any time, by delivering or mailing to the office of the Corporation a written notice of resignation, which resignation shall become effective thirty (30) days after the date of receipt of such notice by the Corporation. Any member resigning, and any member whose membership is otherwise terminated, shall remain liable to pay all fees and assessments and other sums owed by the member to the Corporation as of the date of such termination of Membership, and to perform all obligations to the Corporation incurred prior to the date of such membership termination. Upon termination of membership for any reason, all right, title or interest of such member in or to any part of the property of the Corporation shall cease and may be regained only by applying as a new member in accordance with Article II, Section 4 above.

Section 2.6.4 replaces Article V, section 6 (d). There is no change to the wording.

2.7 Lien Rights. If a shareholder of the corporation has not timely paid any rate, charge, or assessment arising from, or related to, water service provided by the corporation to the shareholder's property, then after providing at least 20 days' written notice to the shareholder, the board of directors of the corporation may authorize the recording of a notice of lien against that shareholder's property to secure the collection of the rates, charges, and assessments owed to the corporation by the shareholder.

Section 2.7 is new. It stipulates that the water company may file a lien waiver for failure to timely pay any rate, charge, or assessment arising from, or related to, water service provided by the corporation to the property. The authority to file liens against members who fail to pay in a timely manner is provided by Section 14304 of the California Corporations Code.

ARTICLE THREE Meetings of Members

Article Three replaces Article II

3.1 Annual Meeting. An annual meeting of members shall be held on the last Sunday of April each year at 4:00 p.m. unless the board fixes another date or time and so notifies members as provided in these bylaws. Meetings may be held on a legal holiday. At the meeting, directors shall be elected and other proper business may be transacted, subject to these bylaws.

Section 3.1 replaces Article II, section 2). There is no change to the wording

3.2 Location of Meetings. Meetings of the members shall be held at any place within or outside California designated by the board or by the written consent of all members entitled to vote at the meeting, given before or after the meeting. In the absence of any such designation, members' meetings shall be held at the corporation's principal office. The board may authorize members who are not present in person to participate by electronic transmission or electronic video communication.

*Section 3.2 replaces Article II, section 1. The last sentence is new. **"The board may authorize members who are not present in person to participate by electronic transmission or electronic video communication."** Note: The wording states that the board **MAY** authorize electronic transmission or video communication, it does not mandate providing it. The law states that electronic communication would be required only if the meeting room could not hold all members who wish to attend. Therefore, as long as the meeting place designated by the board for the annual meeting can hold all of the members who indicate a desire to attend, electronic communication is not mandated. This also applies to section 3.3 below*

3.3 Authority for Electronic Meetings. If authorized by the board in its sole discretion, and subject to the requirements of consent in Corporations Code §20(b) and guidelines and procedures the board may adopt, members not physically present in person (or, if proxies are allowed, by proxy) at a meeting of members may, by electronic transmission by and to the corporation or by electronic video screen communication, participate in a meeting of members, be deemed present in person (or, if proxies are allowed, by proxy), and vote at a meeting of members whether that meeting is to be held at a designated place or in whole or in part by means of electronic transmission by and to the corporation or by electronic video screen communication, subject to the requirements of these bylaws. For purposes of all electronic meetings under Sections 3.3 & 3.4, "eligible persons", as defined in Section 4.29(o), shall be permitted to attend and speak, and shall be entitled to notice in the same manner as members, but shall not be entitled to vote.

Section 3.3 is new. As mentioned above, electronic communication is only required if the meeting place cannot accommodate all members who have indicated a desire to attend. However, the requirements in section 3.3 must be adhered to if the board authorizes electronic communications for any reason.

3.4 Requirements for Electronic Meetings. A meeting of the members may be conducted, in whole or in part, by electronic transmission by and to the corporation or by electronic video screen communication (1) if the corporation implements reasonable measures to provide members in person (or, if proxies are allowed, by proxy) a reasonable opportunity to participate in the meeting and to vote on matters submitted to the members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with those proceedings, and (2) if any member votes or takes other action at the meeting by means of electronic transmission to the corporation or electronic video screen communication, a record of that vote or action is maintained by the corporation. Any request by a corporation to a member pursuant

to Corporations Code §20(b) for consent to conduct a meeting of members by electronic transmission by and to the corporation shall include a notice that absent consent of the member pursuant to Corporations Code §20(b), the meeting shall be held at a physical location in accordance with Section 3.2 of these bylaws.

Section 3.4 is new. As mentioned above, electronic communication is only required if the meeting place cannot accommodate all members who have indicated a desire to attend. However, the requirements in section 3.4 must be adhered to if the board authorizes electronic communications for any reason

3.5 Special Meetings. The president, or 5 percent or more of the members, may call a special meeting of the members for any lawful purpose at any time.

Section 3.5 replaces Article II, section 3 (a). The words have been rearranged, but the meaning is unchanged..

3.6 Special Meetings. A special meeting called by any person entitled to call a meeting of the members shall be called by written request, specifying the general nature of the business proposed to be transacted, and addressed to the attention of and submitted to the chair of the board, if any, or the president or any vice president or the secretary of the corporation. The officer receiving the request shall cause notice to be given promptly to the members entitled to vote, stating that a meeting will be held at a specified time and date fixed by the board. However, the meeting date shall be at least 35 but no more than 90 days after receipt of the request. If the notice is not given within 20 days after the request is received, the person or persons requesting the meeting may give the notice. Nothing in this Section shall be construed as limiting, fixing, or affecting the time at which a meeting of members may be held when the meeting is called by the board.

Section 3.6 replaces Article II, section 3 (b) Calling Meetings. There has been some rewording but the meaning is unchanged.

*“b. **Calling Meetings** A special meeting called by any person (other than the Board) entitled to call a meeting shall be called by written request, specifying the general nature of the business proposed to be transacted, and submitted to the chairman of the Board, if any, or the President or any Vice President or the Secretary of the Corporation. The Board shall require the officer receiving the request or other officer to cause notice to be given promptly to the members entitled to vote, in accordance with the sections of these By-Laws concerning notice, stating that a meeting will be held at a specified time and date fixed by the board; provided, however, that the meeting date shall be at least 35 but no more than 90 days after receipt of the request. If the notice is not given within 20 days after the request is received, the person or persons requesting the meeting may give the notice. Nothing in this section shall be construed as limiting, fixing, or affecting the time at which a meeting of members may be held when the meeting is called by the Board.”*

3.7 Proper Business of Special Meeting. No business, other than the business that was set forth in the notice of the meeting, may be transacted at a special meeting.

Section 3.7 replaces Article II, section 3 (c). There is no change in wording.

3.8 General Notice Requirements. Written Notice Required. Whenever members are required or permitted to take any action at a meeting, a written notice of the meeting shall be given, under applicable provisions of these bylaws, to each member entitled to vote at that meeting. The

notice shall specify the place, date, and hour of the meeting, and the means of electronic transmission by and to the corporation or electronic video screen communication, if any, by which members may participate in the meeting. For the annual meeting, the notice shall state the matters that the board, at the time notice is given, intends to present for action by the members. For a special meeting, the notice shall state the general nature of the business to be transacted and shall state that no other business may be transacted. 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. Except as provided in Section 3.9 of these bylaws, any proper matter may be presented at the meeting.

Section 3.8 replaces Article II, section 4 (a). The second sentence is new and there is some rewording.

“Whenever members are required or permitted to take any action at a meeting, a written notice of the meeting shall be given, in accordance with these By-Laws, to each member entitled to vote at that meeting. The notice shall specify the place, date, 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 Article II, Section 4 b of these By-Laws, 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.

3.9 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:

- 3.9.1 Removing a director without cause;
- 3.9.2 Filling vacancies on the board;
- 3.9.3 Amending the articles of incorporation; or
- 3.9.4 Electing to wind up and dissolve the corporation.
- 3.9.5 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; or
- 3.9.6 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.

Section 3.9 replaces Article II, section 4 (b). Sub sections 3.9.1 through 3.9.4 are identical to the old By-Laws. Sub sections 3.9.5 and 3.9.6 are new boiler plate type requirements.

3.10 Manner of Giving Notice; Notice Requirements. Notice of any meeting of members shall be in writing and shall be given at least 10 but no more than 90 days before the meeting date. The notice shall be given either personally, by **electronic transmission by the corporation**, 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 as it appears 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 facsimile 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.

Section 3.10 replaces Article II, section 4 (c). The only change is the addition of electronic transmissions by the corporation as a legitimate means of notification

3.10.1 Electronic Notice. Notice given by electronic transmission by the corporation shall be valid only if:

- (1) Delivered by: (a) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that recipient on record with the corporation; (b) posting on an electronic message board or network that the corporation has designated for those communications, together with a separate notice to the recipient of the posting, which transmission shall be validly delivered on the later of the posting or delivery of the separate notice of it; or (c) other means of electronic communication;
- (2) To a recipient who has provided an unrevoked consent to the use of those means of transmission for communications; and
- (3) That creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

Section 3:10.1 is new and states the requirements for electronic transmissions to be valid.

3.10.2 Notwithstanding the foregoing:

- (1) An electronic transmission by this corporation to a member is not authorized unless, in addition to satisfying the requirements of this section, the consent to the transmission has been preceded by or includes a clear written statement to the recipient as to (a) any right of the recipient to have the record provided or made available on paper in non-electronic form, (b) whether the consent applies only to that transmission, to specified categories of communications, or to all communications from the corporation, and (c) the procedures the recipient must use to withdraw consent.
- (2) Notice shall not be given by electronic transmission by the corporation after either of the following: (a) the corporation is unable to deliver two consecutive notices to the member by that means or (b) the inability so to deliver the notices to the member becomes known to the secretary, any assistant secretary, or any other person responsible for the giving of the notice.

Section 3:10.2 is new and states additional requirements for electronic transmissions to be valid.

3.11 Affidavit of Mailing. 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 3.11 replaces Article II section 4 (d). It stipulates that an affidavit of a mailing is optional.

3.12 Quorum. Fifty (50%) percent of the voting power shall constitute a quorum for the transaction of business at any meeting of members; provided, however, that should such meeting be adjourned to a specific date for a lack of a quorum, quorum at the adjourned date shall be thirty-three and one-third (33 1/3 %) percent of the voting power.

Except as otherwise required by law, the articles, or these bylaws, the members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, even if enough members have withdrawn to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the members required to constitute a quorum.

Section 3.12 replaces Article II, sections 5 (a) and 5 (b). There is no change in wording

3.13 Eligibility to Vote. Subject to the California Nonprofit Mutual Benefit Corporation Law, members in good standing on the record date as determined under these bylaws shall be entitled to vote at any meeting of members.

Section 3.13 replaces Article II, section 6 (a). The wording has been simplified, the meaning is unchanged.

“Subject to the provisions of the California Nonprofit Public Benefit Corporation Law, members entitled to vote at any meeting of members shall be all members holding certificates in good standing as of the record date determined under these By-Laws”

3.14 Manner of Voting. Voting may be by voice or by ballot, except that any election of directors must be by ballot if demanded before the voting begins by any member at the meeting.

Section 3.14 replaces Article II, section 6 (b). There is no change in the wording.

3.15 Number of Votes. Each member entitled to vote may cast one vote per certificate held on each matter submitted to a vote of the members.

Section 3.15 replaces Article II, section 6 (c). There is no change in the wording.

3.16 Majority Approval. If a quorum is present, the affirmative vote of a majority of the voting power represented at the meeting, entitled to vote and voting on any matter, shall be deemed the act of the members unless the vote of a greater number, or voting by classes, is required by the California Nonprofit Mutual Benefit Corporation Law or by the articles of incorporation.

Section 3.16 replaces Article II, section 6 (d). There is no change in the wording.

3.17 Waiver of Notice or Consent. The transactions of any meeting of members, however called or noticed and wherever held, shall be as valid as though taken at a meeting duly held after standard 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, 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 of the meeting. The waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of the meeting except that, if action is taken or proposed to be taken for approval of any matter specified in Section 3.9 of these bylaws, the waiver of 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 of the meeting.

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 3.17 replaces Article II, section 6 (e) (i) and section 6 (e) (ii). There is no change in the wording other than combining the two sections into a single section.

3.18 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 meeting. The action by written consent shall have the same force and effect as a unanimous vote of the members.

Section 3.18 replaces Article II, section 6 (f) (i). There is no change in the wording

3.19 Action by Written Ballot. Any action **except election of directors** that members may take at any meeting of members may also be taken without a meeting by complying with these bylaws.

Section 3.19 replaces Article II, section 6 (f) (ii). The new wording excludes taking action to elect directors.

“Any action that may be taken at any meeting of members may be taken without a meeting by complying with Article II, Section 6 (f) of these By-Laws.”

3.20 Solicitation of Ballots. This corporation shall distribute one written ballot to each member entitled to vote on the matter. **The ballot and any related material may be sent by electronic transmission by the corporation, and responses may be returned to the corporation by electronic transmission that meets the requirements of Section 3.10.1 of these bylaws.** All solicitations of votes by written ballot shall: (1) state the number of responses needed to meet the quorum requirement; (2) state, with respect to ballots other than for election of directors, 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) give 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.

Section 3.20 replaces all but the last sentence of Article II, section 6 (f) (iii). The wording adds that material may be sent by electronic transmission and may be returned by electronic transmission.

3.20.1 If the corporation has 100 or more members, any written ballot distributed to ten or more members shall provide that, subject to reasonable specified conditions, if the person solicited specifies a choice in any such matter, the vote shall be cast according to that specification.

Section 3.20.1 replaces the last sentence of Article II, section 6 (f) (iii). There is no change in the wording.

3.20.2 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.

Section 3.20.2 is new. The phrase “withhold” appears elsewhere in the old By-Laws, so it is not a new concept.

3.21 Approval Requirements. Approval by written ballot shall be valid only when (1) the number of votes cast by ballot (including 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.

Section 3.21 replaces Article II, section 6 (f) (iv). The wording is changed to require that the number of votes cast must be greater than the quorum required.

“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 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”

3.22 Written Ballots As Irrevocable. A written ballot may not be revoked.

Section 3.22 replaces Article II, section 6 (f) (v). There is no change with the wording.

3.23 Filing Ballots. All written ballots shall be filed with the secretary of the corporation and maintained in the corporate records for at least five (5) years.

Section 3.23 replaces Article II, section 6 (f) (vi). The number of years for ballots to be kept is increased from 3 to 5. There is no other change.

3.24 Record Date for Notice, Voting, Written Ballots, and Other Board Actions.

For purposes of establishing the members entitled to receive notice of any meeting, entitled to vote at any meeting, entitled to vote by written ballot, or entitled to exercise any rights in any lawful action, the board of directors may, in advance, fix a record date. The record date so fixed for:

3.24.1 Sending notice of a meeting shall be no more than 90 nor less than 10 days before the date of the meeting;

3.24.2 Voting at a meeting shall be no more than 60 days before the date of the meeting;

3.24.3 Voting by written ballot shall be no more than 60 days before the day on which the first written ballot is mailed or solicited; and

3.24.4 Taking any other action shall be no more than 60 days before that action.

Section 3.24 and section 3.24.1, 3.24.2, 3.24.3 and 3.24.4 replace Article II, section 7 (a), 7 (a) (i), 7 (a) (ii), 7 (a) (iii) and 7 (a) (iv). There is no change in the wording.

3.24.5 Record Date for Actions Not Set by Board. If not otherwise fixed by the board, the record date for determining members entitled to receive notice of a meeting of members shall be the next business day preceding the day on which notice is given or, if notice is waived, the next business day preceding the day on which the meeting is held. **If not otherwise fixed by the board, the record date for determining members entitled to vote at the meeting shall be the day on which the meeting is held.**

If not otherwise fixed by the board, the record date for determining members entitled to vote by written ballot shall be the day on which the first written ballot is mailed or solicited.

If not otherwise fixed by the board, the record date for determining members entitled to exercise any rights with respect to any other lawful action shall be the date on which the board adopts the resolution relating to that action, or the 60th day before the date of that action, whichever is later.

For purposes of Sections 3.24 & 3.24.1 of these bylaws, a person holding a membership at the close of business on the record date shall be a member of record.

*Section 3.24.5 replaces Article II, section 7 (b) (i), 7 (b) (ii), 7 (b) (iii) and 7 (c). The only change to the wording is sentence shown in bold above that added the phrase “ **If not otherwise fixed by the board, the record date for determining members entitled** to vote at the meeting shall be the day on which the meeting is held”.*

3.25 Members' Proxy Rights. Each member entitled to vote shall have the right to do so either in person or by one or more agents authorized by a written proxy, signed by the member and filed with the secretary of the corporation. A proxy shall be deemed signed if the member's name is placed on the proxy by the member or the member's attorney-in-fact, whether by manual signature, typewriting, facsimile transmission, or otherwise.

Section 3.25 replaces Article II, section 8 (a). The wording in the second sentence is changed slightly, but the meaning remains unchanged.

“ 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.”

3.26 Solicited Proxies. If the corporation has 100 or more members, any form of proxy distributed to 10 or more members shall give the member an opportunity to specify a choice between approval and disapproval of each matter or group of related matters and, subject to reasonable specified conditions, shall provide that, when the person solicited specifies a choice in any such matter, the vote shall be cast according to that specification. In an election of directors, any form of proxy that a member marks “withhold,” or otherwise marks in a manner indicating that authority to vote for the election of directors is withheld, shall not be voted either for or against the election of a director.

Section 3.26 replaces Article II, section 8 (b). Minor wording changes but no significant change in meaning.

“If the Corporation has 100 or more members, any form of proxy distributed to 10 or more members shall afford an opportunity on the proxy to specify a choice between approval and disapproval of each matter or group of related matters and shall provide, subject to reasonable specified conditions, that when 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, any form of proxy that a member marks “withhold,” or otherwise marks in a manner indicating that authority to vote for the election of Directors is withheld, shall not be voted either for or against the election of a Director.”

3.26.1 Subject Matter of Proxy to Be Stated. Any revocable proxy covering matters for which a vote of the members is required shall not be valid unless the proxy sets forth the general nature of the matter to be voted on. Such matters include 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 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 a 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.

Section 3.26.1 replaces Article II, section 8 (c). Minor wording changes but no significant change in meaning.

“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 By-Laws 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.”

3.26.2 Expiration and Revocability of Proxies. No proxy shall be valid after the expiration of 11 months from the date of the proxy, unless provided otherwise in the proxy, except that the maximum term of a proxy shall be 3 years after the date of execution. The revocability of a proxy that states on its face that it is irrevocable shall be governed by Corporations Code §7613. A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect until either:

- (1) It is revoked by the member executing it before the vote is cast under that proxy, (a) by a writing delivered to the corporation stating that the proxy is revoked, (b) by a subsequent proxy executed by that member and presented to the meeting, or (c) 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.

Section 3.26.2 replaces Article II, section 8 (d). Considerable rewording, but the only material change in meaning is the change to an 11 month proxy expiration from 12 months.

“A validly executed proxy shall continue in full force and effect until (a) 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, or (ii) by a subsequent proxy executed by that member and presented to the meeting, or (iii) as to any meeting, by that member’s personal attendance and voting at the meeting; or (b) written notice of the death or incapacity of the maker of the proxy is received by the Corporation before the vote under that proxy is counted, provided, however, that no proxy shall be valid after the expiration of twelve (12) months from the date of the proxy, unless otherwise provided in the proxy,, except that the maximum term of a proxy shall be three 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.”

3.27 Adjournment; Notice. 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 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 **(or the means of electronic transmission by and to the corporation or electronic video screen communication, if any, by which members may participate)** 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 3.27 replaces Article II, section 5 (c). The only change in the wording is the phrase shown in bold above that authorizes the use of electronic communication.

ARTICLE FOUR

4.1 General Powers of Board. Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and subject to any limitations of the articles of incorporation or bylaws regarding actions that require approval of the members, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the board.

Section 4.1 replaces Article III, section 3 (a). The powers of the board remain the same as before. The last sentence of the old section 3 (a), shown below has been dropped.

"Except as so limited, the Board shall have all power legally allowable to a Board of Directors of a corporation of this type."

4.2 Specific Powers of Board. Without prejudice to the general powers set forth in Section 4.1 of these bylaws, but subject to the same limitations, the board shall have the power to do the following:

Section 4.2 replaces Article III, section 3 (b). The meaning is the same, but more words are used to express it. The subsections of section 4.2, delineate the powers of the board with more specificity than they were delineated before.

"Without limiting the grant of general powers, the Board shall have the following powers:"

The subsections of section 4.2, delineate the powers of the board with more specificity than they were delineated before.

4.2.1 Appoint and remove, at the pleasure of the board, all corporate officers, agents, and employees; prescribe powers and duties for them as are consistent with the law, the articles of incorporation, and these bylaws; fix their compensation; and require from them security for faithful service.

Section 4.2.1 is new.

4.2.2 Change the principal office or the principal business office in California from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency, or country; conduct its activities in or outside California; and designate a place in or outside California for holding any meeting of members.

Section 4.2.2 is new

4.2.3 Borrow money and incur indebtedness on the corporation's behalf and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

Section 4.2.3 is new

4.2.4 Adopt and use a corporate seal; prescribe the forms of membership certificates; and alter the forms of the seal and certificates.

Section 4.2.4 is new

4.3 Number of and Qualifications for Directors. The board of directors shall consist of at least three (3) but no more than seven (7) directors unless changed by amendment to these bylaws. The exact number of directors shall be fixed, within those limits, by a resolution adopted by the board of directors, but in the absence of such a resolution, the number shall be seven (7). The qualifications for directors are that they are a voting member in good standing of this Corporation.

Section 4.3 replaces Article III, section 1. The change in wording makes it explicit that the number of directors shall be seven (7) unless "fixed" at a number between three (3) and seven (7) by a resolution adopted by the board.

4.4 Nominations by Committee. The president, shall appoint a committee to nominate qualified candidates for election to the board at least 90 days before the date of any election of directors. The nominating committee shall make its report at least 50 days before the date of the election, or at such other time as the board may set, and the secretary shall forward to each member, with the notice of meeting required by these bylaws, a list of all candidates nominated by committee.

Section 4.4 replaces Article II, section 9 (a), The wording in the first sentence is changed slightly, but the meaning remains the same

"The President shall appoint a committee to select qualified candidates for election to the Board at least 120 days before the date of any election of Directors.

4.5 Nominations by Members.

4.5.1 By Petition. Members representing 2 percent of the voting power may nominate candidates for directors by petition. The petition must be signed by those members within 11 months preceding the next time directors are to be elected, and delivered to an officer of the corporation. On timely receipt of the petition signed by the required number of members, the secretary shall cause the names of the candidates named on it to be placed on the ballot along with the names of the candidates chosen by the nominating committee.

Section 4.5.1 replaces Article II, section 9 (b). The new section liberalizes the restriction on the timing for submittal of nominations by petition from 120 days to 11 months.

"Members representing two (2%) percent of the voting power may nominate candidates for directors by a petition, signed by those members within 120 days preceding the next time Directors are to be elected, and delivered to an officer of the Corporation. On timely receipt of a petition signed by the required number of members, the Secretary shall cause the names of the candidates named on it to be placed on the ballot along with the names of those candidates named by the nominating committee. Such nomination petition must be received before the Corporation has cause any written ballot to be printed."

4.5.2 Floor Nominations. **When a meeting is held for the election of directors**, any member present at the meeting in person or by proxy may place names in nomination, which shall require a second and the consent of the nominee, which consent may be given orally at the meeting or in writing filed with the Secretary.

Section 4.5.2 replaces Article II, section 9 (c). There is a minor change in the first phrase, but the meaning is unchanged.

“If there is a meeting of members to elect Directors”

4.6 Nominee’s Right to Solicit Votes. The board shall formulate procedures that allow a reasonable opportunity for a nominee to communicate to members the nominee’s qualifications and the reasons for the nominee’s candidacy, a reasonable opportunity for the nominee to solicit votes, and a reasonable opportunity for all members to choose among the nominees.

Section 4.6 replaces Article II, section 9 (d). There is no change in the wording.

4.7 Use of Corporate Funds. If more people have been nominated for director than can be elected, no corporate funds may be expended to support a nominee without the board’s authorization.

Section 4.7 replaces Article II, section 9 (e). The words have been rearranged, but the meaning is unchanged.

“Without Board authorization, no corporate funds may be expended to support a nominee for Director after more people have been nominated for Director than can be elected.”

4.8 Events Causing Vacancies on Board. A vacancy or vacancies on the board of directors shall occur in the event of (1) the death, removal, or resignation of any director; (2) the declaration by board resolution of a vacancy in the office of a director who has been declared of unsound mind by a court order, convicted of a felony, or, if the corporation holds assets in charitable trust, found by a final order or judgment of any court to have breached a duty arising under Corporations Code §7238; (3) the vote of the members or, if the corporation has fewer than 50 members, the vote of a majority of all members, to remove any director(s); (4) an increase in the authorized number of directors; or (5) a failure of the members, at any meeting of members at which any director or directors are to be elected, to elect the number of directors required to be elected at that meeting.

Section 4.8 is new. It defines the events that would cause a “vacancy on the board of director”

4.9 Resignation of Directors. Except as provided below, any director may resign by giving written notice to the president or the secretary of the board. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a director’s resignation is effective at a later time, the board may elect a successor to take office as of the date when the resignation becomes effective.

Section 4.9 is new. It established a director’s right to resign from the board except as noted in section 4.9.1 below.

4.9.1 No director may resign when the corporation would be left without a duly elected director or directors.

Section 4.9.1 is new. It prevents all of the directors from resigning and leaving the corporation without governance.

4.10 Removal of Directors. Except for removals of directors for cause under Section 4.8, no director shall be removed without an appropriate vote of the membership under the provisions of the California Nonprofit Mutual Benefit Corporations Law. However, any director who does not

attend three successive board meetings will automatically be removed from the board without board resolution unless:

Section 4.10 is new. It provides for the removal of a director by vote of the membership or by missing three successive board meetings.

4.10.1 The director requests a leave of absence for a limited period of time, and the leave is approved by the directors at a regular or special meeting. If such leave is granted, the number of board members will be reduced by one in determining whether a quorum is or is not present;

Section 4.10.1 is new. It allows the board to issue a leave of absence for a director who is unable to attend a board meeting.

4.10.2 The director suffers from an illness or disability which prevents him or her from attending meetings and the board by resolution waives the automatic removal procedure of this subsection; or

Section 4.10.2 is new. It allows the board to waive automatic removal if a director misses meetings due to illness or disability.

4.10.3 The board by resolution of the majority of board members agrees to reinstate the director who has missed three meetings.

Section 4.10.3 is new. It allows the board to reinstate a director who has missed three consecutive meeting, but it is not automatic, it requires a resolution passed by a majority vote.

4.11 Vacancies Filled by Board. Except for a vacancy created by the removal of a director by the members, vacancies on the board may be filled by approval of the board or, if the number of directors then in office is less than a quorum, by (1) the unanimous written consent of the directors then in office, (2) the affirmative vote of a majority of the directors then in office at a meeting held according to notice or waivers of notice complying with Corporations Code §7211, or (3) a sole remaining director. The members may fill any vacancy not filled by the directors.

Section 4.11 is new. It defines the right of the board to fill vacancies on the board, except for cases where the vacancy occurs by vote of the membership.

4.12 Vacancies Filled by Members. The members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors.

Section 4.12 is new. It in powers the membership to appoint directors to fill vacancies if the board fails to fill them.

4.13 No Vacancy on Reduction of Number of Directors. Any reduction of the authorized number of directors shall not result in any director's being removed before his or her term of office expires.

Section 4.13 is new. It prevents the majority on the board from using the tactic of reducing the number of directors as a means of removing a director.

4.14 Location of Board Meetings. Meetings of the board shall be held at any place within California that has been designated by resolution of the board or in the notice of the meeting or, if not so designated, at the principal office of the corporation.

Section 4.14 replaces Article III, section 2 (a). It restricts the meetings of the board to a location in California. Previously the meeting location was unrestricted.

“Meetings of the Board shall be held at any place **within or outside California** that has been designated by resolution of the Board or in the notice of the meeting or if not so designated, at the principal office of the Corporation.”

4.15 Meetings by Telecommunication. Any board meeting may be held by conference telephone, video screen communication, or other communications equipment. Participation in a meeting under this Section shall constitute presence in person at the meeting if both the following apply:

(A) Each member participating in the meeting can communicate concurrently with all other members.

(B) Each member is provided the means of participating in all matters before the board, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation.

Section 4.15 replaces Article III, section 2 (b). It broadens the scope of electronic communication equipment used for a board meeting and requires that all board members have equal opportunity to hear and be heard during the meeting.

“Any meeting may be held by conference telephone or similar communication equipment, as long as all directors participating in the meeting can hear one or another. All such Directors shall be deemed to be present in person at such a meeting.”

4.15.1 Mandatory Teleconferencing Option. The option of teleconferencing is required if the room capacity does not permit a person eligible to attend a meeting to attend, but only if required by Corporations Code §14305.

Section 4.15.1 is new. It requires teleconferencing for meetings if the room capacity is insufficient to accommodate all members who wish to attend.

4.16 Annual Meeting of Board. Immediately after each annual meeting of members, the board shall hold a general meeting for purposes of organization, election of officers, and transaction of other business. Notice of this meeting shall be included in the notice of the annual membership meeting.

Section 4.16 replaces Article III, section 2 (c) and 2 (d). Section 2 (c) is unchanged. Section 2 (d) is changed to eliminate the requirement for mandatory quarterly board meetings

“Other regular meetings of the board may be held without notice at such time and place as the board may fix from time to time. Regular quarterly meeting shall be held. The Board shall fix by resolution the date and time of all regular meetings. Unless otherwise fixed by resolution, regular quarterly meetings shall be held without notice on the first Tuesday of January, April, July, and October at 7:30 P.M. at the principal office of the Corporation.”

4.17 Authority to Call Special Meetings. Special meetings of the board for any purpose may be called at any time by the president or any vice president, the secretary, or any two directors.

Section 4.17 replaces Article III, section 2 (e) (i), There is no change in the wording.

4.18 Notice of Special Meetings. Notice of the time and place of special meetings shall be given to each director by (1) personal delivery of written notice; (2) first-class mail, postage prepaid; (3) telephone, **including a voice messaging system or other system or technology designed to record and communicate messages, or by electronic transmission**, either directly to the director or to a person at the director's office who would reasonably be expected to communicate that notice promptly to the director; (4) **facsimile; (5) electronic mail; or (6) other electronic means**. All such notices shall be given or sent to the director's address or telephone number as shown on the corporation's records. Notices sent by first-class mail shall be deposited in the United States mails at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or **electronic transmission** shall be delivered, telephoned, or sent, respectively, at least 48 hours before the time set for the meeting. The notice shall state the time of the meeting and the place, if the place is other than the corporation's principal office. The notice need not specify the purpose of the meeting.

Section 4.18 replaces Article III, section 2 (e) (ii). The wording expands the means used to deliver notices to include electronic means now in common use.

4.19 Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of any business except adjournment. Every action taken or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be an act of the board, subject to the more stringent provisions of the California Nonprofit Mutual Benefit Corporation Law, including, without limitation, the provisions on (1) approval of contracts or transactions between this corporation and one or more directors or between this corporation and any entity in which a director has a material financial interest, (2) creation of and appointments to committees of the board, and (3) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of some directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

Section 4.19 replaces Article III, section 2 (f), There are minor changes in the wording, but no significant changes to the intent of the prior wording. The old wording is shown below:

"A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn. Every action taken or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be the act of the Board, subject to the more stringent provisions of the California Nonprofit Mutual Benefit Corporation Law, including, without limitation, those provisions relating to: (a) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (b) approval of certain transactions between corporations having common directorships, (c) creation of an appointments to committees of the Board, and (d) indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting."

4.20 Waiver of Notice. Notice of a meeting need not be given to any director who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any director who attends the meeting and who, before or at the beginning of the meeting, does not protest the lack of notice to him or her.

Section 4.20 replaces Article III, section 2 (g), There are minor changes in the wording, but no significant changes to the intent of the prior wording. The old wording is shown below:

Notice of a meeting need not be given to any Director who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any Director who attends the meeting and does not protest, before or at the commencement of the meeting, the lack of notice to him or her.

4.21 Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place.

Section 4.21 replaces the first sentence of Article III, section 2 (h). The rest of Article III, section 2 (h) is contained in section 4.22.

4.22 Notice of Adjourned Meeting. Notice of the time and place of holding an adjourned meeting need not be given unless the original meeting is adjourned for more than 24 hours. If the original meeting is adjourned for more than 24 hours, notice of any adjournment to another time and place shall be given, before the time of the adjourned meeting, to the directors who were not present at the time of the adjournment.

Section 4.22 replaces the second and third sentences of Article III, section 2 (h). The wording is the same.

4.23 Board Action Without Meeting. Due to the special requirements contained in Section 14305 of the Corporations Code, the Board may not take any action by unanimous written consent (see Bylaws Section 4.29(j)(1)).

Section 4.23 replaces Article III, section 2 (i). This section now prohibits board action without a meeting, which section 2 (i) previously allowed.

4.24 Director Compensation. Directors shall not receive compensation for their services as directors or officers, and shall receive reimbursement of expenses, as the board may establish by resolution to be just and reasonable as to the corporation at the time that the resolution is adopted. The board shall not have power to pay any officer, agent or employee anything other than a reasonable salary, wages or other remuneration or reimbursement.

Section 4.24 replaces Article III, section 3 (d). The wording is the same.

4.25 Director Voting. Each director shall have one vote on each matter presented to the board of directors for action. No director may vote by proxy.

Section 4.25 is new.

4.26 Creation and Powers of Board Committees. The board, by resolution adopted by a majority of the directors then in office, may create one or more committees, each consisting of two or more directors and no one who is not a director, to serve at the pleasure of the board. Appointments to committees of the board shall be by majority vote of the directors then in office. The board may appoint one or more directors as alternate members of any such committee,

who may replace any absent member at any meeting. Any such committee shall have all the authority of the board, to the extent provided in the board resolution, except that no committee may do the following:

Section 4.26 and all of its subsections are new. The power of board committees is significant in that they can, if authorized by the board, have all the authority of the board.

4.26.1 Take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the members or approval of a majority of all members;

4.26.2 Fill vacancies on the board or any committee of the board;

4.26.3 Fix compensation of the directors for serving on the board or on any committee;

4.26.4 Amend or repeal bylaws or adopt new bylaws;

4.26.5 Amend or repeal any resolution of the board that by its express terms is not so amendable or repealable;

4.26.6 Create any other committees of the board or appoint the members of committees of the board;

4.26.7 Expend corporate funds to support a nominee for director if more people have been nominated for director than can be elected; or

4.26.8 With respect to any assets held in charitable trust, approve any contract or transaction between this corporation and one or more of its directors or between this corporation and an entity in which one or more of its directors have a material financial interest, subject to the approval provisions of Corporations Code §5233(d)(3).

4.27 Audit Committee. The corporation may have an audit committee consisting of at least one (1) director, and may include nonvoting advisors. Directors who are employees or officers of the corporation or who receive, directly or indirectly, any consulting, advisory, or other compensatory fees from the corporation (other than for service as director) may not serve on the audit committee. The audit committee shall perform the duties and adhere to the guidelines set forth in the corporation's audit committee charter as amended from time to time by the board. Such duties include, but are not limited to:

Section 4.27 and its sub sections are new. They allows the board to establish an Audit Committee, with directors and non-directors, to assist the board in reviewing the corporation's finances.

4.27.1 Assisting the board in choosing an independent auditor and recommending termination of the auditor, if necessary;

4.27.2 Negotiating the auditor's compensation;

4.27.3 Conferring with the auditor regarding the corporation's financial affairs; and

4.27.4 Reviewing and accepting or rejecting the audit. Members of the audit committee shall not receive compensation for their service on the audit committee in excess of that provided to directors for their service on the board. If the corporation has a finance committee, a majority of the members of the audit committee may not concurrently serve as members of the finance committee, and the chair of the audit committee may not serve on the finance committee.

4.28 Executive Committee. Pursuant to Section 4.26 of these bylaws, the board may appoint three or more directors of the corporation to serve as the executive committee of the board. The executive committee, unless limited by a resolution of the board, shall have and may exercise all the authority of the board in the management of the business and affairs of the corporation between meetings of the board; provided, however, that the executive committee shall not have the authority of the board in reference to those matters enumerated in Section 4.26.1 - 4.26.8. All actions of the executive committee shall be reported to and ratified by the full board at the next duly scheduled board meeting.

Section 4.28 is new.

4.29 Open Meeting Requirements. Notwithstanding any provision of these Bylaws, or the general terms of the Nonprofit Mutual Benefit Corporations Law to the contrary, the Board shall comply with the following requirements:

Section 4.29 and its subsections are new. They require the board to give notice to members of all board meetings and to permit members to attend board meetings.

4.29 (a). Corporations Code §14305, the Mutual Water Company Open Meeting Act, requires open meetings of the Board, as provided in this Section. In the event of a conflict between these Bylaws and the Code, the corporation shall comply with the Code, as amended from time to time.

4.29 (b). Any eligible person, upon 24 hours advance written notice, may attend meetings of the board of directors of the corporation, except when the board adjourns to, or meets solely in, executive session to consider litigation, matters relating to the formation of contracts with third parties, member or shareholder discipline, personnel matters, or to meet with a member or shareholder, upon the member or shareholder's request, regarding the member or shareholder's payment of assessments, as specified in Section 14303 of the Corporations Code. The board of directors shall meet in executive session, if requested by a member or shareholder who may be subject to a fine, penalty, or other form of discipline, and the member shall be entitled to attend the executive session. As specified in paragraph (3) of subdivision (o), an eligible person shall be entitled to attend a teleconference meeting or the portion of a teleconference meeting that is open to eligible persons, and that meeting or portion of the meeting shall be audible to the eligible persons in a location specified in the notice of the meeting.

4.29 (c). All executive sessions shall take place during a regular or special meeting called for that purpose. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to eligible persons.

4.29 (d). The approved minutes, the minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the board of directors, other than an executive session, shall be available to eligible persons within 30 days of the

meeting. The minutes, proposed minutes, or summary minutes shall be provided to any eligible person upon request and upon reimbursement of the corporation's costs for providing the minutes.

4.29 (e). The pro forma budget required in Section 14306 of the Corporations Code and these Bylaws shall be available to eligible persons within 30 days of the meeting at which the budget was adopted. The budget shall be provided to any eligible person upon request and upon reimbursement of the corporation's costs.

4.29 (f). Unless these bylaws provide for a longer period of notice to members, eligible persons shall be given notice of the time and place of a meeting as defined in section 4.29 (o) (3), except for an emergency meeting or a meeting that will be held solely in executive session, at least four days prior to the meeting. Except for an emergency meeting, eligible persons shall be given notice of the time and place of a meeting that will be held solely in executive session at least two days prior to the meeting. Notice shall be given by posting the notice in a prominent, publicly accessible place or places within the territory served by the corporation and by mail to any eligible person who had requested notification of board meetings by mail, at the address requested by the eligible person. Eligible persons requesting notice by mail shall pay the costs of reproduction and mailing of the notice in advance. Notice may also be given by mail, by delivery of the notice to each unit served by the corporation or, with the consent of the eligible person, by electronic means. The notice shall contain the agenda for the meeting.

4.29 (g). An emergency meeting of the board may be called by the president of the corporation, or by any two members of the board of directors other than the president, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the board, and which of necessity make it impracticable to provide notice as required by this section. See Sections 4.54 & 4.55 for further details of Emergency Meetings and powers.

4.29 (h). The board of directors of the corporation shall permit any eligible person to speak at any meeting of the corporation or the board of directors, except for meetings of the board held in executive session. A reasonable time limit for all eligible persons to speak to the board of directors or before a meeting of the corporation shall be established by the board of directors.

4.29 (i) Agenda items:

(1) Except as described in paragraphs (2) to (4), inclusive, the board of directors of the corporation may not discuss or take action on any item at a nonemergency meeting unless the item was placed on the agenda included in the notice that was posted and distributed pursuant to subdivision (f). This subdivision does not prohibit an eligible person who is not a member of the board from speaking on issues not on the agenda.

(2) Notwithstanding paragraph (1), a member of the board of directors, any officer, or a member of the staff of the corporation, may do any of the following:

(A) Briefly respond to statements made or questions posed by a person speaking at a meeting as described in subdivision (h).

(B) Ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities, whether in response to questions posed by an eligible person or based upon his or her own initiative.

(3) Notwithstanding paragraph (1), the board of directors or a member of the board of directors, subject to rules or procedures of the board of directors, may do any of the following:

(A) Provide a reference to, or provide other resources for factual information to, the corporation's officers or staff.

(B) Request the corporation's officers or staff to report back to the board of directors at a subsequent meeting concerning any matter, or take action to direct the corporation's officers or staff to place a matter of business on a future agenda.

(C) Direct the corporation's officers or staff to perform administrative tasks that are necessary to carry out this subdivision.

(4) (A) Notwithstanding paragraph (1), the board of directors may take action on any item of business not appearing on the agenda posted and distributed pursuant to subdivision (f) under any of the following conditions:

(i) Upon a determination made by a majority of the board of directors present at the meeting that an emergency situation exists. An emergency situation exists if there are circumstances that could not have been reasonably foreseen by the board, that require immediate attention and possible action by the board, and that, of necessity, make it impracticable to provide notice.

(ii) Upon a determination made by the board by a vote of two-thirds of the members present at the meeting, or, if less than two-thirds of total membership of the board is present at the meeting, by a unanimous vote of the members present, that there is a need to take immediate action and that the need for action came to the attention of the board after the agenda was posted and distributed pursuant to subdivision (f).

(iii) The item appeared on an agenda that was posted and distributed pursuant to subdivision (f) for a prior meeting of the board of directors that occurred not more than 30 calendar days before the date that action is taken on the item and, at the prior meeting, action on the item was continued to the meeting at which the action is taken.

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

4.29 (j). Additional Restrictions:

(1) Notwithstanding any other law, the board of directors shall not take action on any item of business outside of a meeting.

(2) (A) Notwithstanding any other provision of law, the board of directors shall not conduct a meeting via a series of electronic transmissions, including, but not limited to, electronic mail, except as specified in subparagraph (B).

(B) Electronic transmissions may be used as a method of conducting an emergency meeting if all members of the board, individually or collectively, consent in writing to that action,

and if the written consent or consents are filed with the minutes of the meeting of the board. These written consents may be transmitted electronically.

4.29 (k)- 4.29 (n) [These subsections of the Corporations Code, while applicable to the Corporation, do not deal with the internal administration of the Corporation, and are thus not a part of these Bylaws.].

4.29 (o) As used in Article Four:

(1) "Eligible person" means a person who is any of the following:

(A) A shareholder or member of the corporation.

(B) A person who is an occupant, pursuant to a lease or a rental agreement, of commercial space or a dwelling unit to which the corporation sells, distributes, supplies, or delivers drinking water.

(C) An elected official of a city or county who represents people who receive drinking water directly from the corporation on a retail basis.

(D) Any other person eligible to participate in the corporation's meetings under provisions of the company's articles or bylaws.

(2) "Item of business" means any action within the authority of the board, except those actions that the board has validly delegated to any other person or persons, officer of the corporation, or committee of the board comprising less than a majority of the directors.

(3) "Meeting" means either of the following:

(A) A congregation of a majority of the members of the board at the same time and place to hear, discuss, or deliberate upon any item of business that is within the authority of the board.

(B) A teleconference in which a majority of the members of the board, in different locations, are connected by electronic means, through audio or video or both. A teleconference meeting shall be conducted in a manner that protects the rights of members of the association and otherwise complies with the requirements of this title. Except for a meeting that will be held solely in executive session, the notice of the teleconference meeting shall identify at least one physical location so that members of the association may attend and at least one member of the board of directors or a person designated by the board shall be present at that location. Participation by board members in a teleconference meeting constitutes presence at that meeting as long as all board members participating in the meeting are able to hear one another and members of the association speaking on matters before the board.

4.30 Investment Committee. The Board may appoint an investment committee comprised of not less than three directors. The committee shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the institution. Individual investments shall be considered as part of an overall investment strategy. The committee shall consider present and

future financial requirements, expected total return, general economic conditions, the appropriate level of risk, appropriate levels of income, growth and long-term net appreciation, and the probable safety of the funds. The committee may retain professional money managers, and shall develop an investment policy that shall be reconsidered at least annually, in light of the changing needs of the corporation, economic conditions, and any other factors that may affect the corporation's tolerance of risk and need for income. The committee may recommend the retention of property contributed by a donor (whether or not it produces income), and a donor's request should be a factor in making the determination of whether to sell a particular asset contributed by a donor.

Section 4.30 is new. It amplifies the boards authority to appoint committees.

4.31 Committee Meetings. Meetings and actions of committees of the board shall be governed by, held, and taken under the provisions of these bylaws concerning meetings and other board actions, except that the time for general meetings of board committees and the calling of special meetings of board committees may be set either by board resolution or, if none, by resolution of the committee. Minutes of each meeting shall be kept and shall be filed with the corporate records. The board may adopt rules for the governance of any committee as long as the rules are consistent with these bylaws. If the board has not adopted rules, the committee may do so.

Section 4.31 is new. It establishes rules for committee recordkeeping.

4.32 Officers. The officers of this corporation shall be a president, a secretary, and a chief financial officer. The corporation, at the board's discretion, may also have a chair of the board, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed under Section 4.34 of these bylaws.

Section 4.32 replaces Article V, section 1. It gives the board more latitude in determining the officers of the corporation.

"The officers of the Corporation shall consist of a President, one or more Vice-Presidents, a Secretary and a Treasurer and such other officers as shall from time to time be chosen or appointed by the Board of Directors. Any number of offices may be held by the same person, except that neither the Secretary nor the Treasurer may serve concurrently as either the President or the Chairman of the Board, if any. No officer shall receive regular compensation for his services"

4.32.1 Any number of offices may be held by the same person.

Section 4.32.1 was formerly part of Article V, section 1.

4.33 Election of Officers. The officers of this corporation, except any appointed under Section 4.34 of these bylaws, shall be chosen annually by the board and shall serve at the pleasure of the board, subject to the rights of any officer under any employment contract.

Section 4.32 is new. The election of officers was included in Article I, section 2 of the old by-laws under business to be conducted after the Annual Meeting of Members. It is also mentioned in Article Three, section 3.1 of the new by-laws.

4.34 Appointment of Other Officers. The board may appoint and authorize the chair of the board, the president, or another officer to appoint any other officers that the corporation may require. Each appointed officer shall have the title and authority, hold office for the period, and perform the duties specified in the bylaws

or established by the board.

Section 4.34 is new.

4.35 Removal of Officers. Without prejudice to the rights of any officer under an employment contract, the board may remove any officer with or without cause. An officer who was not chosen by the board may be removed by any other officer on whom the board confers the power of removal.

Section 4.35 is new.

4.36 Resignation of Officers. Any officer may resign at any time by giving written notice to the board. The resignation shall take effect on the date the notice is received or at any later time specified in the notice. Unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to any rights of the corporation under any contract to which the officer is a party.

Section 4.36 is new

4.37 Vacancies in Office. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these bylaws for normal appointments to that office. However, vacancies need not be filled on an annual basis.

Section 4.37 is new

4.38 Responsibilities President. The President shall preside at all members' meetings and at all board meetings and shall exercise and perform such other powers and duties as the board may assign from time to time. The president shall be the general manager of the corporation and shall supervise, direct, and control the corporation's activities, affairs, and officers.

Section 4.38 replaces the first paragraph of Article IV, section 2, The words are changed but the responsibility concepts are the same.

"The President shall preside at all meetings of the stockholders, and of the board of Directors at which he shall be present unless he designates someone to act for him; he shall have general charge and control over the affairs and operation of the business of the Corporation, subject to the authority of the Board of Directors."

4.39 Responsibilities of Vice Presidents. If the president is absent or disabled, the vice presidents, if any, in order of their rank as fixed by the board, or, if not ranked, a vice president designated by the board, shall perform all duties of the president. When so acting, a vice president shall have all powers of and be subject to all restrictions on the president. The vice presidents shall have such other powers and duties as the board or the bylaws may require.

Section 4.39 replaces the second paragraph of Article IV, section 2. The words are different, but the responsibility and duties are the same.

"The Vice-President shall perform such duties as may be assigned by the Board of Directors. In the event of the death or disability of the President, the First Vice-President shall assume and be vested with all the powers and responsibilities of the President during such disability"

4.40 Responsibilities of Secretary. The secretary shall keep or cause to be kept, at the corporation's principal office or such other place as the board may direct, a book of minutes of all meetings, proceedings, and actions of the board, of committees of the board, and of

members' meetings. The minutes of meetings shall include the time and place that the meeting was held; whether the meeting was annual, general, or special, and, if special, how authorized; the notice given; the names of persons present at board and committee meetings; and the number of members present or represented at members' meetings.

The secretary shall keep or cause to be kept, at the principal California office, a copy of the articles of incorporation and bylaws, as amended to date.

The secretary shall keep or cause to be kept, at the corporation's principal office or at a place determined by resolution of the board, a record of the corporation's members, showing each member's name, address, and class of membership.

The secretary shall give, or cause to be given, notice of all meetings of members, of the board, and of committees of the board that these bylaws require to be given. The secretary shall keep the corporate seal, if any, in safe custody and shall have such other powers and perform such other duties as the board or the bylaws may require.

Section 4.40 replaces the third paragraph of Article IV, section 2. It expands in greater detail the duties of the Secretary.

"The Secretary shall countersign with the President all certificates of stock of the Corporation; under the direction of the Board of Directors shall keep a record of the Minutes of the proceedings of the shareholders and of the Directors and shall give any notice required for such meeting. The Secretary shall have custody and control of all books, papers and records of the Corporation except such as shall be in the custody of the Treasurer or some other person thereto authorized by the Board of Directors. The Secretary shall keep appropriate stock ledgers and account books and shall have custody of any Corporate seal, and perform any other duties as assigned by the Board of Directors."

4.41 Responsibilities of Chief Financial Officer. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the corporation's properties and transactions. The chief financial officer shall send or cause to be given to the members and directors such financial statements and reports as are required to be given by law, by these bylaws, or by the board. The books of account shall be open to inspection by any director at all reasonable times.

The chief financial officer shall (1) deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the board may designate; (2) disburse the corporation's funds as the board may order; (3) render to the president, chair of the board, if any, and the board, when requested, an account of all transactions as chief financial officer and of the financial condition of the corporation; and (4) have such other powers and perform such other duties as the board or the bylaws may require.

If required by the board, the chief financial officer shall give the corporation a bond in the amount and with the surety or sureties specified by the board for faithful performance of the duties of the office and for restoration to the corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the chief financial officer on his or her death, resignation, retirement, or removal from office.

Section 4.41 replaces the fourth and fifth paragraphs of Article IV, section 2. The words are changed but the duties and responsibilities are the same, except for the omission of a specific responsibility for preparation of the annual report.

"The Treasurer shall keep account of all moneys of the Corporation received or disbursed; shall cause to be deposited all moneys or valuables in the name and to the credit of the Corporation in such banks or depositories as the Board of Directors may designate. The Treasurer shall disburse the funds of the Corporation as he may be ordered by the Board of Directors, taking proper vouchers for such disbursements. All checks or vouchers for the payment of money shall be signed by the Treasurer and the President or Vice-President, or by

the President and Vice-President alone if the Treasurer is not available, or by such other person or persons designated by the Board of Directors.

The Treasurer shall insure that the annual report is prepared and sent to all members in the manner and time required by law and these By-Laws. While the Board shall not have a duty to require it, if required by resolution of the Board, the Treasurer shall give the Corporation a bond in the amount and with surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the Corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the treasurer on his or her death, resignation, retirement, or removal from office. The Corporation shall pay any charge for issuance of a bond.”

4.42 Contracts with Directors. No director of this corporation nor any other corporation, firm, association, or other entity in which one or more of this corporation’s directors are directors or have a material financial interest, shall be interested, directly or indirectly, in any contract or other transaction with this corporation unless (1) the material facts as to the transaction and such director’s interest are fully disclosed or known to the members and such contract or transaction is approved by the members in good faith, with any membership owned by any interested director not being entitled to vote thereon, or (2) the material facts regarding such director’s financial interest in such contract or transaction or regarding such common directorship, officership, or financial interest are fully disclosed in good faith and are noted in the minutes or are known to all board members before consideration by the board of such contract or transaction, and such contract or transaction is authorized in good faith by a majority of the board by a vote sufficient for that purpose without counting the vote of the interested director.

Section 4.42 is new. It requires disclosure of potential conflict of interest by board members.

4.43 Loans to Directors and Officers. This corporation shall not lend any money or property to, or guarantee the obligation of, any director or officer of the corporation unless (1) the board decides that the loan or guaranty may reasonably be expected to benefit the corporation, and (2) before consummating the transaction or any part of it, the loan or guaranty is approved by either the members, without counting the vote of the director or officer, if a member, or the vote of a majority of the directors then in office, without counting the vote of the director who is to receive the loan or guaranty.

Section 4.43 is new. It requires complete transparency of any financial transactions between the corporation and a director or an officer of the corporation.

4.44 Indemnification. To the fullest extent permitted by law, this corporation shall indemnify its directors and officers, and may indemnify employees and other persons described in Corporations Code §7237(a), including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any “proceeding,” as that term is used in that section, and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in that section. “Expenses,” as used in this bylaw, shall have the same meaning as in that section of the Corporations Code.

On written request to the board by any person seeking indemnification under Corporations Code §7237(b) or §7237(c), the board shall promptly decide under Corporations Code §7237(e) whether the applicable standard of conduct set forth in Corporations Code §7237(b) or §7237(c) has been met and, if so, the board shall authorize indemnification. If the board cannot authorize indemnification, because the number of directors who are parties to the

proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, the board shall promptly call a meeting of members. At that meeting, the members shall determine under Corporations Code §7237(e) whether the applicable standard of conduct has been met and, if so, the members present at the meeting in person or by proxy shall authorize indemnification.

To the fullest extent permitted by law and except as otherwise determined by the board in a specific instance, expenses incurred by a person seeking indemnification under Sections 4.44 of these bylaws in defending any proceeding covered by those Sections shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately found that the person is entitled to be indemnified by the corporation for those expenses.

Section 4.44 replaces Article III, section 3 (c). There is no change in the wording.

4.45 Insurance. This corporation shall have the right, and shall use its best efforts, to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents, to cover any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising from the officer's, director's, employee's, or agent's status as such.

Section 4.45 replaces Article III, section 3 (b) (iii). The wording is changed, but the meaning is the same.

"The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, Directors, employees, and other agents, against any liability asserted against or incurred by an officer, director, employee, or agent in such capacity or arising out of the officer's, Director's, employee's or agent's status as such.

4.46: Maintenance of Corporate Records. This corporation shall keep the following:

Section 4.46 and its subsections are new. There has always been an implied requirement to keep these records as the by-laws specified when and how they were to be made available for inspection.

4.46.1 Adequate and correct books and records of account;

4.46.2 Minutes of the proceedings of its members, board, and committees of the board;
and

4.46.3 A record of each member's name, address, and class of membership. The minutes and other books and records shall be kept either in written form or in any other form capable of being converted into clearly legible tangible form or in any combination of the two

4.47 Members' Inspection Rights.

4.47.1 General Member's Rights. Unless the corporation provides a reasonable alternative as provided below, any member may do either or both of the following for a purpose reasonably related to the member's interest as a member:

(1) Inspect and copy the records containing members' names, addresses, and voting rights during usual business hours on 5 days' prior written demand on the corporation, which must state the purpose for which the inspection rights are requested;
or

(2) Obtain from the secretary of the corporation, on written demand and tender of a reasonable charge, a list of names, addresses, and voting rights of members who are

entitled to vote for directors as of the most recent record date for which that list has been compiled, or as of the date, after the date of demand, specified by the member. The demand shall state the purpose for which the list is requested. The secretary shall make this list available to the member on or before the later of 10 days after the demand is received or the date specified in the demand as the date as of which the list is to be compiled.

The corporation may, within 10 business days after receiving a demand under this subsection, make a written offer of an alternative method of reasonable and timely achievement of the proper purpose specified in the demand without providing access to or a copy of the membership list. Any rejection of this offer must be in writing and must state the reasons the proposed alternative does not meet the proper purpose of the demand.

If the corporation reasonably believes that the information will be used for a purpose other than one reasonably related to a person's interest as a member, or if it provides a reasonable alternative under this Section, it may deny the member access to the membership list.

Any inspection and copying under this subsection may be made in person or by the member's agent or attorney. The right of inspection includes the right to copy and make extracts. This right of inspection extends to the records of any subsidiary of the corporation.

Section 4.47.1 replaces Article III, section 4 (a). There is no change in the wording.

4.47.2 "Eligible Person" Inspection Rights. In addition to the rights of members under Sections 4.47.1 & 4.48, and in accordance with Section 14307 of the Corporations Code:

(a) (1) Unless its governing documents impose more stringent standards, the corporation shall make the following records promptly available upon written request to an eligible person upon payment of fees covering direct costs of duplication:

(A) Agendas and minutes of board meetings conducted on or after January 1, 2014.

(B) A copy of an annual budget adopted pursuant to subdivision (a) of Section 14306 of the Corporations Code.

(C) A copy of an accounting report prepared pursuant to subdivision (b) of Section 14306 of the Corporations Code.

(D) A copy of any records reporting the results of a water quality test.

(E) A copy of an annual report that has been distributed to the corporation's shareholder or members.

(2) Any request for records pursuant to this subdivision shall be limited to the three calendar years preceding the written request for the records.

Section 4.47.2 is new. It allows renters and other eligible persons the same right to inspect records that are given to members of the corporation.

4.48 Inspection of Accounting Records and Minutes. On written demand on the corporation, any member may inspect, copy, and make extracts of the accounting books and records and the minutes of the proceedings of the members, the board of directors, and committees of the board at any reasonable time for a purpose reasonably related to the member's interest as a member. Any such inspection and copying may be made in person or by the member's agent or attorney. This right of inspection extends to the records of any subsidiary of the corporation.

Section 4.48 replaces Article III, section 4 (b). There is no change in the wording.

4.49 Maintenance and Inspection of Articles and Bylaws. This corporation shall keep at its principal California office the original or a copy of the articles of incorporation and bylaws, as amended to the current date, that shall be open to inspection by the members at all reasonable times during office hours. If the corporation has no business office in California, the secretary shall, on the written request of any member, furnish to that member a copy of the articles of incorporation and bylaws, as amended to the current date.

Section 4.49 replaces Article III, section 4 (c). There is no change in the wording.

4.50 Directors' Inspection Rights. Every director shall have the absolute right at any reasonable time to inspect the corporation's books, records, and documents of every kind, and to inspect the physical properties of the corporation. **Every director shall have the right to inspect the records of each subsidiary.** The inspection may be made in person or by the director's agent or attorney. The right of inspection includes the right to copy and make extracts of books, records, and documents of every kind.

Section 4.50 replaces Article III, section 4 (d). There is an additional sentence in the new wording, but it only applies if the corporation has a subsidiary.

4.51 Annual Report; Budget.

4.51.1 Annual Report. The board shall cause an annual report to be prepared within 120 days after the end of the corporation's fiscal year. That report shall contain the following information in appropriate detail:

Section 4.51.1 replaces Article III, section 4 (e) (i). The wording is almost the same. The time allowed is increased from 105 days to 120 days.

"An annual report shall be prepared and distributed to all members within 105 days after the end of the Corporation's fiscal year. That report shall contain the following information in appropriate detail:"

(1) A balance sheet as of the end of the fiscal year, an income statement, and a statement of cash flows for the fiscal year, accompanied by an independent accountant's report or, if none, by the certificate of an authorized officer of the corporation that they were prepared without audit from the corporation's books and records;

(2) A statement of the place where the names and addresses of current members are located; and

(3) Any information required by Section 4.53 or other section of these bylaws.

This corporation shall annually notify each member of the member's right to receive a copy of the financial report under this Section. Except as provided in the next paragraph of this bylaw, on written request by a member, the board shall promptly cause the most recent annual report to be sent to the requesting member. If the board approves, the corporation may send the report and any accompanying material sent pursuant to this section by electronic transmission.

This subsection shall not apply if the corporation receives less than \$10,000 in gross revenues or receipts during the fiscal year.

Section 4.51.1, subsections (1), (2) & (3) replace section 4 (e) (ii) (A), (B) & (C). The wording is changed as shown below.

“(A) A balance sheet as of the end of the fiscal year, and an income statement and statement of changes in financial position for the fiscal year, accompanied by any report on them by independent accountants, or, if there is no such report, by the certificate of an authorized officer of the Corporation that they were prepared without audit from the books and records of the corporation.

(B) A statement of the place where the names and addresses of current members are located.

(C) Any information that is required by Article III, Section 4 (f).

(D) Any information required by 10 Cal. Admin. Code Sec. 260.140.71.2 (b) (10) to be included in the “fiscal year-end financial statement”, which the Board may cause to be incorporated into the annual report. In the event that a separate fiscal year-end report is made, it shall be distributed within 105 days of the end of the fiscal year, and the annual report shall be distributed within 120 such days, not 105 as otherwise required herein.”

4.51.2 Budget. In accordance with Section 14306 of the Corporations Code:

(a) The board shall adopt, in an open meeting, an annual budget on or before the start of each fiscal year of the corporation.

(b) The board shall contract with a certified public accountant or public accountant to conduct an annual review of the financial records and reports of the corporation. The review shall be subject to generally accepted accounting standards.

(c) Eligible persons may request a copy of the report, and shall reimburse the corporation for the costs of providing the report.

(d) For purposes of this subsection, the term “eligible persons” has the same meaning as that term is defined in subdivision (o) of Section 14305 of the Corporations Code and Section 4.29 (o) of these Bylaws.

Section 4.51.2 is new. The adoption of an annual budget is the corporations normal operating procedure. This section incorporates the practice into the by-laws. This section also permits renters and other eligible persons to request and receive copies of the budget.

4.52 Annual Statement of Certain Transactions and Indemnifications. As part of the annual report to all members, or as a separate document if no annual report is issued, the corporation shall annually prepare and mail, deliver, **or send by electronic transmission** to its members and furnish to its directors a statement of any transaction or indemnification of the following kinds within 120 days after the end of the corporation’s fiscal year:

Section 4.52 replaces Article III, section 4 (f). It adds the provision of electronic transmission for sending statements to members and directors.

4.52.1 Unless approved by members under Corporations Code §7233(a), any transaction (a) to which the corporation, its parent, or its subsidiary was a party, (b) which involved more than \$50,000 or was one of a number of such transactions with the same person involving, in the aggregate, more than \$50, 000, and (c) in which either of the following interested persons had a direct or indirect material financial interest (a mere common directorship is not a material financial interest):

(i) Any director or officer of the corporation, its parent, or its subsidiary;

(ii) Any holder of more than 10 percent of the voting power of the corporation, its parent, or its subsidiary.

The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the corporation, the nature of their interest in the transaction, and, when practicable, the amount of that interest, except that, in a partnership in which such person is a partner, only the partnership interest need be stated.

Section 4.52.1 replaces Article III, section 4 (f) (i). The wording is different but the meaning remains the same as shown below:

“Unless approved by members under Section 7233 (a) of the California Corporation Code, any transaction: (a) to which the Corporation, its parent, or its subsidiary was a party; (b) which involved more than \$50,000; and (c) in which either of the following interested persons had a direct or indirect material financial interest (a mere common directorship is not a material financial interest):

(A) Any Director of officer of the Corporation, its parent, or subsidiary;

(B) Any holder of more than 10 percent of the voting power of the Corporation, its parent, or its subsidiary.

The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the corporation, the nature of their interest in the transaction and, if practicable, the amount of that interest, provided that if the transaction was with a partnership in which the interested person is a partner, only the interest of the partnership need be stated.”

4.52.2 A brief description of the amounts and circumstances of any loans, guaranties, indemnifications, or advances aggregating more than \$10,000 paid during the fiscal year to any officer or director of the corporation under Sections 4.43 & 4.44 of these bylaws, unless the loan, guaranty, indemnification, or advance has already been approved by the members under Corporations Code §5034, or the loan or guaranty is not subject to Corporations Code §7235(a).

Section 4.52.2 replaces Article III, section 4 (f) (ii). There is no change in the wording.

4.53 Emergency Powers. The emergency by-law provisions of this section are adopted in accordance with Corporations Code §7151(g). Notwithstanding anything to the contrary herein, this section applies solely during an Emergency, which is the limited period of time during which a quorum cannot be readily convened for action as a result of the following events or circumstances until the event or circumstance has subsided or ended and a quorum can be readily convened in accordance with the notice and quorum requirements in Sections 4.14 through 4.20 of these bylaws:

Section 4.53 and its subsections below are new. They allow notice and quorum requirements to be suspended during an emergency

4.53.1 A natural catastrophe, including, but not limited to, a hurricane, tornado, storm, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought, or regardless of cause, any fire, flood, or explosion;

4.53.2 An attack on this state or nation by an enemy of the United States of America, or on receipt by this state of a warning from the federal government indicating that an enemy attack is probable or imminent;

4.53.3 An act of terrorism or other manmade disaster that results in extraordinary levels of casualties or damage or disruption severely affecting the infrastructure, environment, economy, government function, or population, including, but not limited to, mass evacuations; or

4.53.4 A state of emergency proclaimed by the governor of the state in which one or more Directors are resident, or by the President of the United States.

4.54 Emergency powers allowed by statute. During an emergency, the board may:

Section 4.54 and its subsections below are new. They delineate the actions that the board may take during an emergency when notice and quorum have been suspended. They do not include actions that normally require a vote of the members.

4.54.1 Modify lines of succession to accommodate the incapacity of any director, officer, employee, or agent resulting from the emergency;

4.54.2 Relocate the principal office or authorize the officers to do so;

4.54.3 Give notice to a director or directors in any practicable manner under the circumstances, including, but not limited to, by publication and radio, when notice of a meeting of the board cannot be given to that director or directors in the manner prescribed by Section 4.18 of these bylaws; and

4.54.4 Deem that one or more officers present at a board meeting is a director, in order of rank and within the same rank in order of seniority, as necessary to achieve a quorum.

During an emergency the board may not take any action that requires the vote of the members or otherwise is not in the corporation's ordinary course of business, unless the required vote of the members was obtained before the emergency. Any actions taken in good faith during an emergency under this section may not be used to impose liability on a director, officer, employee, or agent.

4.55 Director's Education & Health & Safety Code Compliance. In accordance with Section 116755 of the Health and Safety Code:

4.55.1 Each board member of the corporation shall, within six months of taking office, or by December 31, 2012, if that member was serving on the board on December 31, 2011, complete a two-hour course offered by a qualified trainer regarding the duties of board members of mutual water companies, including, but not limited to, the duty of a corporate director to avoid contractual conflicts of interest and fiduciary duties, the duties of public water systems to provide clean drinking water that complies with the federal Safe Drinking Water Act (42 U.S.C. Sec. 300f et seq.) and Chapter 4 of the California Health & Safety Code (the California Safe Drinking Water Act), and long-term management of a public water system. A board member of the corporation shall repeat this training every six years. For the purposes of this subdivision, a trainer may be qualified in any of the following ways:

(1) Membership in the California State Bar.

(2) Accreditation by the International Association of Continuing Education and Training (IACET) ANSI/IACET 1-2007.

(3) Sponsorship by either the Rural Community Assistance Corporation or the California Rural Water Association.

Section 4.55.1 is new. It requires each board member to take a course on the duties of board members of mutual water companies every 6 years

4.55.2 The corporation shall be liable for the payment of any fines, penalties, costs, expenses, and other amounts that may be imposed upon the corporation pursuant to Chapter 4 of the California Health & Safety Code. The corporation may levy an assessment, pursuant to Section 14303 of the Corporations Code, to pay these fines, penalties, costs, expenses, and other amounts so imposed. If the amount of outstanding fines, penalties, costs, expenses and other amounts imposed pursuant to Chapter 4 of the California Health & Safety Code exceed 5 percent of the annual budget of the corporation, then the corporation shall levy an assessment, pursuant to Section 14303 of the Corporations Code, to pay those fines, penalties, costs, expenses, and other amounts so imposed.

Section 4.55.2 is new. Depending on the amount of a fine, the section allows the board discretion on whether or not to assess members in order to pay the fine.

ARTICLE V Miscellaneous Provisions

5.1 Instructions. In accordance with the provisions of the Corporation Code of the State of California, the word “shares” and comparable phrases refer to appropriate designations for corporations composed only of members.

Section 5.1 replaces Article VI, section 1. There is no change in the wording.

5.2 Additional Statement on Purpose of Corporation. This Corporation is organized not for profit or to declare dividends, but to provide water to its shareholders as provided heretofore herein in the most efficient and economical manner deemed possible at cost to water users.

Section 5.2 replaces Article VI, section 2. There is no change in the wording

5.3 Amendments. New By-Laws may be adopted or these By-Laws may be amended or repealed by the affirmative vote of a majority of the voting membership, voting in person or by duly authorized proxy, at a meeting of the shareholders, duly called in accordance with Article III of these By-Laws. Proposals for such amendments may be made by a majority of the Board of Directors or by written petition signed by any ten (10) members in good standing.

Section 5.3 replaces Article VI, section 3. There is no change in the wording

5.4 Fiscal Year. The fiscal year for this Corporation shall be from January through December 31 of each year.

Section 5.4 replaces Article VI, section 4. There is no change in the wording