

**AMENDED BY-LAWS FOR THE REGULATION,
EXCEPT AS OTHERWISE PROVIDED BY STATUTE
OR BY ITS ARTICLES OF INCORPORATION, OF
PINON PINES ESTATES MUTUAL WATER COMPANY**

ARTICLE I

NAME

The name of this corporation is and shall be Pinon Pines Estates Mutual Water Company, and for convenience shall be referred to hereinafter as the "Company."

ARTICLE II

OFFICES

Section 1. **PRINCIPAL OFFICE.** The principal office for the transaction of business of the Company is hereby fixed and located at 1001 Coldwater Drive, Frazier Park, County of Kern, State of California. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another in said County. Any such change shall be noted on the By-Laws opposite this Section, or this Section may be amended to state the new location.

Section 2. **OTHER OFFICE.** Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the corporation is qualified to do business.

ARTICLE III

OBJECTS AND PURPOSES

Section 1. The objects and purposes of the Company shall be to develop, distribute, supply and deliver water to all of its shareholders for domestic, fire protection, and irrigation uses, or any one of such uses, to its shareholders or to the State or any agency or department thereof, or to any school district, or to any other mutual water company at cost. The Company shall be authorized to do whatever may be deemed necessary, incidental or advisable to accomplish and promote said objects or purposes, including but not limited to:

- (a) Constructing, leasing, maintaining and operating water system facilities;
- (b) Acquiring, owning, leasing or developing water, water rights or water-bearing lands;

- (c) Paying all taxes, utilities, charges, assessments by which to further the foregoing objects and purposes; and to do any other act or thing in any way connected with the foregoing or related to the objects and purposes of the Company.
- (d) Acquiring, owning, leasing, developing or selling real and personal property.

Section 2. The policy of the Company is to provide water service to all shareholder-landowners particularly identified in Article IV.

Section 3. The Company shall not engage in activities other than the delivery of water, and activities related to providing described water services, as permitted by law

ARTICLE IV

SHAREHOLDERS AND SHARES

Section 1. **SHAREHOLDERS.** Shareholders of the Company shall be limited to the record owner or owners of real property or lots within the boundaries of the following-described real property:

- (a) Tract No. 3348, Kern County, California, containing 240 lots;
- (b) Tract No. 3420, Kern County, California, containing 53 lots;
- (c) Four lots contained in Exhibit A attached hereto.
- (d) The Southwest quarter of the Southeast quarter of the Southeast quarter of Section 30, Township 9 North, Range 20 West, San Bernardino Base and Meridian, in the unincorporated area, County of Kern, State of California, according to the Official Plat of the survey of said land on file in the General Land Office.

For the purpose of these By-Laws, lots shall consist of those lots described and set forth in the subdivision maps of said Tracts Nos. 3348 and 3420 as filed or may be filed in the office of the County Recorder of Kern County, California. One share of the stock of the corporation shall be issued to the owner or owners of each lot in the above-described subdivision tracts and there shall be no fractional share issued.

A lot or parcel of land held as community property shall qualify the owners thereof for one (1) share certificate only in the Company, which share certificate shall be in the name of the husband as manager of the community property. As to any lot or parcel of land held in joint tenancy, tenancy-in-common, or in the name of a partnership or in any other way, only one (1) person or any member of such co-owners shall be a shareholder of this corporation.

Section 2. **ELIGIBILITY FOR HOLDING STOCK.** All persons who become owners

of lots or parcels of property as defined and described in Section 1 of this ARTICLE IV shall, by reason of such ownership, become shareholders of the Company and be issued one (1) share certificate in the Company for each lot or parcel so owned. All shares of stock shall be appurtenant to the land described in the certificate issued therefore, and shall only be transferred with said land, and shall pass as an appurtenance thereto. No fractional shares shall be issued.

Section 3. **VOTING RIGHTS.** Each shareholder shall be entitled to one vote for each share certificate held on each matter submitted to the vote of the shareholders. No distinction shall exist between the shareholders, except that a shareholder must be in good standing in order to vote his shares. Shareholders may cumulate their votes for Directors as provided in California Corporations Code section 2235.

Section 4. **TERMINATION.** The Board of Directors may, by affirmative vote of two-thirds of all members of the Board, suspend or expel a stockholder for cause after an appropriate hearing and by a majority vote of those present at any regularly constituted meeting, and may cancel the share certificate of any shareholder who becomes in default in the payment of assessments for a period fixed by the Board of Directors, as permitted in these By-Laws.

Section 5. **RESIGNATION.** Any shareholder may cancel his share or shares by filing a written cancellation with the Secretary, but such cancellation shall not relieve the shareholder so canceling of the obligation to pay any dues, assessments, or other charges theretofore accrued and unpaid.

Section 6. **REINSTATEMENT.** Upon the written request signed by a former shareholder and filed with the Secretary, the Board of Directors may reinstate such former shareholder's share upon such terms as the Board of Directors may deem appropriate.

Section 7. **TRANSFER OF SHARES.** Shares in this Company are transferable or assignable only with the transfer or assignment of the lot or parcel of land to which it attaches.

Section 8. **RIGHTS AND LIABILITIES.** No shareholder of the corporation shall have any right, title or interest in or to any property or assets of the corporation, except upon dissolution.

The private property of the shareholder shall be exempt from execution or other liability for any debts of the corporation and no shareholder shall be liable or responsible for any debts or liabilities of the corporation.

ARTICLE V

SHAREHOLDER MEETINGS

Section 1. **PLACE OF MEETINGS.** The Board of Directors may designate any place, either within or without the State of California, as the place of meeting for any actual meeting or

for any special meeting. If no designation is made, the place of meeting shall be the principal office of the Company, but if all shareholders shall be present at any time and place and consent to the holding of a meeting before or after the meeting, such meeting shall be valid without call or notice, and at such meeting any Company action may be taken.

Section 2. **ANNUAL MEETINGS.** The annual meeting of shareholders shall be held on the last Saturday of May of each year, or as soon thereafter as is convenient to obtain a quorum, for the purpose of passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. If the day fixed for the annual meeting shall fall on a legal holiday, such meeting shall be held on the next succeeding Saturday. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the corporation and in the event of such failure, the annual meeting shall be held within a reasonable time thereafter.

Section 3. **SPECIAL MEETINGS.** Special meetings of the shareholders may be called by the Board of Directors or by shareholders holding not less than one-fifth of the total voting power, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided.

If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president, or the secretary of the Company. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote, in accordance with the provisions of Sections 4 and 5 of this ARTICLE V, that a meeting will be held at a time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 3 shall be construed as limiting, fixing or affecting the time when a meeting of the shareholders called by action of the Board of Directors may be held.

Section 4. **NOTICE OF MEETINGS.** All notices of shareholder meetings shall be sent or otherwise given in accordance with Section 5 of this ARTICLE V not less than ten (10) or more than sixty (60) days prior to the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, or (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the shareholders. The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, management intends to present for election.

If action is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code of California, (ii) an amendment of the Articles of Incorporation, pursuant to Section 902 of that Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of that Code, (iv) a voluntary dissolution of the corporation, pursuant to Section 1900 of that Code, or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred share certificates, pursuant to Section 2007 of that Code, the notice shall also state the general nature of that proposal.

Section 5. **MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE.** Notice of any shareholder meeting shall be given either personally, by first-class mail, email, or other written communication, charges prepaid, addressed to the shareholder at the address/email address of that shareholder appearing on the books of the Company or given by the shareholder to the Company for the purpose of notice. If no such address/email address appears on the Company's books or is given, notice shall be deemed to have been given if sent to that shareholder by first-class mail, email, or other written communication at the principal executive office of the Company, or published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed given at the time when delivered personally, electronically, or deposited in the mail or sent by other means of written communication. Shareholders are responsible for providing the Company with their current address, email address, and phone number.

If any notice addressed to a shareholder at the address/email address of that shareholder appearing on the books of the Company is returned to the Company as unable to deliver the notice to the shareholder at that address/email address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the shareholder on written demand of the shareholder at the principal executive office of the Company for a period of one year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any shareholder meeting shall be executed by the secretary, assistant secretary, or any transfer agent of the Company giving the notice, and shall be filed and maintained in the minute book of the Company.

Section 6. **WAIVER OF NOTICE.** Any shareholder or Director may waive in writing any notice of a shareholder meeting required to be given by these By-Laws, the Articles of Incorporation or the General Corporation Law of California. The attendance of a shareholder or Director at any meeting shall constitute a waiver of notice of such meeting by such shareholder or Director, except in case a shareholder or Director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 7. **QUORUM.** The presence in person or by proxy of the holders of at least twenty percent (20%) of the share certificates entitled to vote at any shareholder meeting shall

constitute a quorum for the transaction of business. If less than a quorum is present at any meeting, a majority of those present in person or by proxy may adjourn the meeting from time to time without further notice.

Section 8. **PROXIES.** At any meeting of the shareholders, a shareholder entitled to vote may vote by proxy executed in writing by the member or by his duly authorized Attorney-in-Fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 9. **INFORMAL ACTION.** Any action required by law to be taken at a meeting of the shareholders or any action which may be taken at a meeting of shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

ARTICLE VI

DIRECTORS

Section 1. **GENERAL POWERS.** The business and affairs of the Company shall be managed by a Board of Directors of the Company which shall exercise all of the powers of the Company except such as are by law, the Articles of Incorporation, or these By-Laws, conferred upon or reserved to the shareholders.

Section 2. **RULES AND REGULATIONS.** The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these By-Laws, as it may deem advisable for the management of the business and affairs of the Company.

Section 3. **NUMBER AND QUALIFICATIONS.** The number of Directors shall be five. Each Director shall hold office until his successor shall have been elected and qualified. The time of election shall be as specified by the Board of Directors and these By-Laws. Directors will be elected by a plurality vote of the shareholders present at the election meeting in person or by proxy. Directors must be a shareholder of the Company.

Section 4. **ELECTION AND TERM OF OFFICE OF DIRECTORS.** Directors shall be elected to serve staggered four-year terms. Upon the initial election of directors to staggered terms, the elected directors shall determine by lot which three among them shall serve initial two-year terms and the remaining directors shall serve four-year terms. If directors are not elected at an annual meeting, they may be elected at any special shareholders meeting held for that purpose or by written ballot. Each such director, including a director appointed or elected to fill a vacancy or elected at a special shareholders meeting or by written ballot, shall hold office until expiration of the term for which elected and until a successor has been elected and qualified.

Section 5. **VACANCIES.** Vacancies may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, and each Director so elected shall hold office until his successor is elected at an annual meeting of Shareholders.

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

The shareholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors. If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board or the shareholders shall have power to elect a successor to take office when the resignation is to become effective.

Section 6. **COMPENSATION.** Directors, officers and members of committees will receive no compensation relating to their duties as Directors, officers, or committee members.

ARTICLE VII

MEETING OF DIRECTORS

Section 1. **PLACE OF MEETING.** The Board of Directors may designate their place of meeting, either within or without the State of California, as the place of meeting for any regular or special meeting. If no designation is made, the place of meeting shall be the principal office of the Company, but if all members of the Board shall be present at any time and place and consent to the holding of a meeting before or after the meeting, such meeting shall be valid without call or notice, and at such meeting any Company action may be taken. Except for executive session, meetings of the Board shall be open to any "Eligible Person" as defined in Corp. Code §14305(o) who submits written request to attend a particular meeting at least 24 hours prior to the start of the meeting.

Section 2. **ORGANIZATIONAL MEETING.** Immediately following each annual meeting of shareholders at which Directors are elected, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 3. **SPECIAL MEETINGS.** Special meetings of the Board may be called by the President, or if he is absent or unable or refuses to act, by the Vice-President, or by any two Directors.

Notice of any special meeting shall be given at least five (5) days previously thereto by written notice delivered personally or sent by mail to each Director at his address as chosen by the records of the Company. If mailed, such notice shall be deemed to be delivered upon

deposited in the United States mail in a sealed envelope so addressed with postage thereon prepaid. If notice be given by email, such notice shall be deemed to be delivered when the email is sent. Any Director may waive notice of any meeting either before or after said meeting in writing. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where the Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. The business to be transacted at the meeting need not be specified in the notice or waiver of notice of such meeting unless specifically required by law or by these By-Laws.

Section 4. **QUORUM.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the Directors are present at said meeting, the remaining Directors present may adjourn the meeting from time to time without further notice.

Section 5. **ACTION.** The act of the majority of the Directors present at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these By-Laws.

Section 6. **NOTICE OF ADJOURNMENT.** Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place be fixed at the meeting adjourned.

Section 7. **WAIVER OF NOTICE TO DIRECTORS.** The transaction of any meeting of the Board of Directors, however called and noticed or where held, shall be as valid as though at a meeting duly held after regular call notice, if a quorum be present and if, either before or after the meeting, the Director not present signs a written waiver of notice or a consent to holding such meeting, or if an approval shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 8. **ADJOURNMENT.** A quorum of the Directors may adjourn any Directors meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, the Director present at the Directors meeting, either regular or special, may adjourn from time to time until the time fixed for the next annual meeting of the Board.

Section 9. **NOTICE OF MEETING OF DIRECTORS.** Except for emergency meetings, notice of meetings of the Board shall be given to "Eligible Persons" as defined in Corp. Code §14305(o), at least four (4) days prior to the meeting. Emergency meetings may be called by the Business Manager of the Company or by any two members of the Board if there are circumstances that could not have been reasonably foreseen and which require immediate attention. Notice of an emergency meeting shall be given to each director by personal delivery, telephone, or email 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.

Notice required under this section shall be given by posting said notice on the Community Bulletin Board, or in a prominent, publicly accessible place within the Company Service Area as determined by the Board. The Notice shall state the time and place of the meeting and include an agenda of items to be discussed. "Eligible Persons" as defined in Corp. Code §14305(o) may request and receive notice by mail, at the address requested upon payment of reproduction and mailing costs. Nothing in this section shall require or preclude the notice to be given by mail, personal delivery, or with consent, by email, as may be determined by the Board.

The Board is not to take action or conduct a meeting via a series of emails, teleconferences, or faxes, except to conduct an emergency meeting and/or as permitted by law, if the full Board consents in writing to that action. Such consent must be filed with the minutes for that meeting.

ARTICLE VIII

OFFICERS

Section 1. **GENERALLY.** The officers of the corporation shall be a President, Vice-President, a Secretary, and a Treasurer. The corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more additional Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 2 of this ARTICLE VIII. One person may hold two or more offices, except those of President and Secretary.

Section 2. **ELECTION AND TERM OF OFFICE.** The officers of the Company shall be elected annually by the Board of Directors at a regular meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified.

Section 3. **VACANCIES.** A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 4. **TERM OF EMPLOYMENT.** The Board of Directors may appoint, employ, terminate, discharge, fix the compensation and provide for the duties and powers of such officers, agents and employees including removal with or without cause, as in the sole judgment of the Board shall be advisable subject to the provisions of this Article and the provisions of written contracts of employment, if any.

Any officer may resign at any time by giving written notice to the Board, or to the President or to the Secretary of the Company. Any such resignation shall take effect at the time

of the receipt of such notice or at any later time specified therein; the acceptance of such resignation shall not be necessary to make it effective. Such resignation shall be governed by the terms of the employment agreement, if any.

Section 5. **CHAIRMAN OF THE BOARD.** The Chairman of the Board, if there shall be such an officer shall, if present, preside at all meetings of the Board of Directors and exercise or perform such other powers and duties as may be from time to time assigned to him by the Board or prescribed by the By-Laws.

Section 6. **PRESIDENT.** The powers and duties of the President are as follows:

- (a) He shall be the principal executive officer of the Company, unless otherwise determined by the members of the Board;
- (b) He may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-Laws to some other officer or agent of the Company or shall be required by law to be otherwise signed or executed; and
- (c) He shall in general perform all duties incident as may be prescribed by the Board from time to time.

Section 7. **VICE-PRESIDENTS.** In the absence of the President, or in the event of his inability or refusal to act, the Vice-President shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all the restrictions placed upon the President. The Vice-President shall also perform such other duties as from time to time may be assigned to him by the Board or the President.

Section 8. **SECRETARY.** The duties of the Secretary are as follows:

- (a) He shall keep the minutes of the meetings of the members and of the Board in one or more books provided for that purpose;
- (b) He shall see that all notices are duly given in accordance with these By-Laws or as required by law;
- (c) He shall be custodian of the corporate records and of the seal of the Company and affix the seal of the Company to documents, the execution of which on behalf of the Company under its seal is duly authorized in accordance with the provisions of these By-Laws;
- (d) He shall keep a register of the names and post office addresses of all shareholders;

- (e) He shall have general charge of the books of the Company;
- (f) He shall keep on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Company containing all amendments thereto (which copy shall always be open to the inspection of any shareholder and, at the expense of the Company, forward a copy of the By-Laws and of all amendments thereto to each shareholder); and
- (g) He shall in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board or the President.

Section 9. **TREASURER.** The duties of the Treasurer are as follows:

- (a) He shall have charge and custody of and be responsible for all funds and securities of the Company;
- (b) He shall be responsible for the receipt of, and the issuance of receipts for, all monies due and payable to the Company and for the deposit of all such monies in the name of the Company in such bank or banks as shall be selected in accordance with the provisions of these By-Laws; and
- (c) He shall in general perform all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to him by the Board or the President.

Section 10. **SUBORDINATE OFFICERS.** The Board of Directors may appoint such other officers as the business of the Company may require including, but not limited to, Assistant Secretaries and Assistant Treasurers, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the By-Laws or as the Board may from time to time determine.

ARTICLE IX

COMMITTEES

Committees not having or exercising the authority of the Board in the management of the Company may be designated by a resolution adopted by the Board. Except as otherwise provided in such resolution, members of each such committee shall be shareholders of the Company, and the Board shall appoint and remove the members thereof whenever in the Board's judgment the best interest of the Company shall be served by the appointment or removal, as the case may be.

ARTICLE X

SEAL

The corporate seal of the Company shall be in the form of a circle and shall have inscribed thereon the name of the Company and the words "Corporate Seal" and "California."

ARTICLE XI

FINANCIAL MATTERS

Section 1. **CONTRACTS.** Except as otherwise provided in these By-Laws, the Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Company, and such authority may be general or confined to specific instances.

Section 2. **CHECKS, DRAFTS, ETC.** All checks, drafts, or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Company shall be signed by such officer or officers, agent or agents, employee or employees of the Company and in such manner as shall from time to time be determined by resolution of the Board.

Section 3. **DEPOSITS.** All funds of the Company shall be deposited from time to time to the credit of the Company in such bank or banks as the Board may elect.

Section 4. **FISCAL YEAR.** The fiscal year of the Company shall begin on the first day of January of each and every year and shall end on the last day of December.

Section 5. **GIFTS.** The Board of Directors may accept on behalf of the Company any contribution, gift, bequest or devise for the general purposes, or any special purpose of the Company.

Section 6. **ANNUAL BUDGET.** The Company shall adopt, at a noticed and open Board meeting, an annual budget on or before the start of each fiscal year. Upon written request, the pro forma budget will be made available to an "Eligible Person," as defined in Corp. Code §14305(o), within thirty (30) days after the meeting at which the budget was adopted. The requesting person shall be responsible for reproduction costs.

Section 7. **ANNUAL THIRD PARTY FINANCIAL REVIEW.** The Company shall contract with a certified public accountant or public accountant to perform an annual review of the financial records and reports of the Company. This review shall be subject to generally accepted accounting principles.

Section 8. **ANNUAL REPORTS TO SHAREHOLDERS.** Not later than one hundred five (105) days after the close of the corporation's fiscal year, the board shall cause an annual report to be sent to the shareholders. Such report shall contain the following information in reasonable detail:

- (a) The assets and liabilities of the corporation as of the end of the fiscal year.
- (b) The principal changes in assets and liabilities, during the fiscal year.
- (c) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year.
- (d) The expenses or disbursements of the corporation for both general and restricted purposes during the fiscal year.

Section 9. **ACCOUNTING SYSTEM AND REPORTS.** The Board shall cause to be established and maintained, in accordance with generally accepted principles of accounting, an appropriate accounting system and books of account.

ARTICLE XII

SHARE CERTIFICATES

Section 1. Share certificates of the Company shall be in such forms as the Board of Directors shall designate and shall be issued over the signature of the President and Secretary. A certificate book shall be maintained which shall contain a margin on which shall be shown the number, date and name of the shareholder, as set forth in the corresponding certificate.

Section 2. Share certificates of the Company shall be appurtenant to the lots and real property as the same are described and set forth above in Article IV of these By-Laws and shall not be transferable except with the conveyance of the lot or other real property for which said certificate is issued. No fractional certificates shall be issued. Such conveyance shall affect the transfer of the certificate appurtenant to that particular lot or real property to its purchaser.

Section 3. Share certificates of the Company are not transferable or assignable except as specifically provided in these By-Laws.

Section 4. All transfers of such certificates shall be subject to a transfer fee of Twenty-five Dollars (\$25.00) payable by the transferee and subject to the payment of all indebtedness to the Company of the shareholder whose certificate is transferred.

ARTICLE XIII

WATER RATES AND ASSESSMENTS

Section 1. The rates to be charged for the use of the water system shall be fixed from time to time by resolution of the Board of Directors, but said rates shall not be regulated with a view to producing profit for the Company but only to provide funds sufficient which will result in the accumulation and maintenance of a fund for the repair and replacement of the water supply, distribution and fire protection system. The rate charged must bear a reasonable relationship to the cost of furnishing water. The Board of Directors may raise the funds required for the purposes above provided either by charging uniform rates for water delivered to its stockholders or by levying uniform assessments on its stock, as the Board of Directors may from time to time determine.

Section 2. The Company shall have and is hereby given a lien upon the land of each stockholder to which said stockholder's shares of the capital stock of this corporation are appurtenant by way of security for any money due or to become due from said stockholder to the Company for water delivered or to be delivered to him or to said land, and for any assessment or charge of any kind whatsoever that may be hereafter levied by the Company or charged against said stockholder, which lien shall continue until the amount thereof shall be paid or said land has been sold to satisfy said lien. By action of the Board, the Company may cause a notice of lien to be recorded against the real property owned by a shareholder who is delinquent in payment of any water rates, charges, tolls, or assessments arising from, or related to, water service provided by the Company. Prior to recording a notice of lien, the Company shall provide the delinquent shareholder at least twenty (20) days advance written notice.

Section 3. Delinquent assessments shall be subject to such penalties as may be fixed by the Board of Directors. Failure of any shareholders to pay any assessment when due may in the discretion of the Board of Directors constitute a forfeiture of the right to receive water from the Company's systems, but said right shall not be sold or transferred without the land. However, the defaulting member shall be entitled to a hearing before the Board of Directors at a time and place to be fixed by the Board, and the decision of the Board at any such hearing shall be final.

Section 4. Every resolution of the Board of Directors levying an assessment shall specify the amount thereof, to whom and where payable; fixing a day on which the unpaid assessments become delinquent, not less than thirty (30) days nor more than sixty (60) days from the date of passing.

Section 5. The Board of Directors will establish a rate structure which will result in the accumulation and maintenance of a fund for the replacement of its facilities and bear a reasonable relationship to the cost of furnishing water. Unimproved lots included within the area to be served shall bear an appropriate share of the costs of maintaining the water system.

Section 6. At the discretion of the Board of Directors, shareholders delinquent in paying

any water rate, charge, toll or assessment arising from or related to water services provided by the Company may be reported to a credit reporting agency and/or the use of a collection agency may be utilized.

ARTICLE XIV

OPERATION OF WATER SYSTEM

Section 1. The Board of Directors shall appoint a watermaster, whose duties may include, but are not limited to:

- (a) Supervising and assisting in the installation of pipelines, water connections and other works of the Company; and
- (b) Supervising the distribution of water.

Subject to the approval of the Directors, the watermaster may employ such assistants as may be necessary. He shall render a report to the President and Directors annually (or more often, if so required) setting forth the result of Company operations and shall perform such other duties as the President of the Board may require.

ARTICLE XV

FURNISHING WATER TO STOCKHOLDERS

Section 1. **WATER SERVICE TERMS AND CONDITIONS.** The Company will serve and supply water for domestic and irrigation purposes to its stockholders whose shares are appurtenant to the lands described in Article IV hereof, upon the following terms and conditions:

- (1) The applicant shall install and pay for any necessary pipes and valves and fittings to connect with the nearest water mains of the Company, such equipment to be of the size specified by the Board of Directors and must be accepted by the Board of Directors, and the Company shall have the right to use and repair the same in the future.
- (2) Applicant shall install such water and/or other meters to measure the water used by him/her as may be required by said Board. The Company shall have the right to read and maintain said meters in good condition and charge costs, if any, to applicant.
- (3) The Company will install, maintain and replace Company mains and irrigation lines.
- (4) All water furnished by the Company to its shareholders shall be used exclusively

on the land to which the shareholder's share certificate is appurtenant. No water furnished by the Company shall be used on land other than those lands described in Article IV, Section 1 of these By-laws.

ARTICLE XVI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

Section 1. **INDEMNIFICATION.** The Company shall, to the maximum extent permitted by the California General Corporation Law, indemnify each of its agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact any such person is or was an agent of the Company. For purposes of this Section, an "agent" of the Company includes any person who is or was a director, officer, employee, or other agent of the Company, is or was a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, or was a director, officer, employee, or agent of a corporation which was a predecessor corporation of the Company or of another enterprise at the request of such predecessor corporation.

Section 2. **INSURANCE.** The Company may 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 any officer, director, employee, or agent in such capacity or arising out of the officer's, director's or agent's status as such.

ARTICLE XVII

RECORDS AND REPORTS

Section 1. **MAINTENANCE AND INSPECTION OF SHARE CERTIFICATE REGISTER.** The Company shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the Board of Directors, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of share certificates held by each shareholder.

A shareholder may (i) inspect and copy the records of shareholders' names and addresses and shareholdings during usual business hours on five (5) days prior written demand on the Company, and (ii) obtain from the transfer agent of the Company, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the shareholders' names and addresses who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. This list shall be made available to any such shareholder by the transfer agent on or before the later of five (5) business 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 record of shareholders shall also be open to inspection on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. Any inspection and copying under this Section 1 may be made in person or by an agent or attorney of the shareholder or holder of a voting trust certificate making the demand.

Section 2. MAINTENANCE AND INSPECTION OF ARTICLES AND BY-LAWS. The Company shall keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state, the original or a copy of the Articles and By-Laws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours.

Section 3. MAINTENANCE AND INSPECTION OF OTHER CORPORATE RECORDS. The accounting books and records and minutes of proceedings of the shareholders and the Board of Directors and any committee or committees of the Board of Directors shall be kept at such place or places designated by the Board of Directors or, in the absence of such designation, at the principal executive office of the Company. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any "Eligible Persons" as defined in Corp. Code §14307(b), at any reasonable time during usual business hours. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the Company.

Section 4. INSPECTION BY DIRECTORS. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Company and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 5. ANNUAL STATEMENT OF GENERAL INFORMATION. The Company shall each year file with the Secretary of State of the State of California, on the prescribed form, a statement setting forth the authorized number of directors, the names and complete business or residence addresses of all incumbent directors, the names and complete business or residence addresses of the chief executive officer, secretary, and chief financial officer, the street address of its principal executive office or principal business office in this state, and the general type of business constituting the principal business activity of the Company, together with a designation of the agent of the Company for the purpose of service of process, all in compliance with Section 1502 of the Corporations Code of California.

ARTICLE XVIII

SHORTAGES AND CONSERVATION OF WATER

Section 1. **WATER SHORTAGES.** During times of threatened or actual water shortage, the Company will apportion its available water supply among its shareholders in a manner that appears most equitable under the circumstances then prevailing, with due regard to public health, safety and welfare.

If water supplies are projected to be insufficient to meet normal shareholder demand, the Company may elect to immediately implement voluntary conservation measures. Voluntary conservation measures include, but are not limited to, the elimination of non-essential or unauthorized uses, such as:

- a. Use of water through any connection when the Company has notified the shareholder in writing to repair a broken or defective plumbing, sprinkler, watering or irrigation system and the shareholder has failed to make such repairs within five (5) days after receipt of such notice.
- b. Use of water which results in flooding or run-off in gutters, waterways, patios, driveways or streets.
- c. Use of water for washing cars, buses, boats, trailers or other vehicles without a positive shutoff nozzle on the outlet end of the hose.
- d. Use of water through a hose for washing buildings, structures, sidewalks, walkways, driveways, patios, parking areas, tennis courts, or other areas in any manner, which results in excessive run-off or waste.
- e. Use of water for pre-construction purposes, such as soaking soil to soften it for excavation or grading activities.
- f. Use of water for construction purposes, such as consolidation of backfill, dust control, or other uses, unless no other source of water (for example, water tank trucks) or other method can be used.
- g. Use of water for more than minimal landscaping (for example, lawn watering may be considered to be "more than minimal landscaping").
- h. Watering of outside plants, lawn, landscape and turf areas more frequently than specifically permitted by the Company (with, for example, even numbered addresses watering on even numbered days of the month and odd numbered addresses watering on odd numbered days of the month).
- i. Use of water for outside plants, lawn, landscape and turf areas during certain hours of each day.

- j. Use of water for watering outside plants and turf areas using a handheld hose without a positive shut-off valve.
- k. Use of water for decorative fountains or the filling or topping of decorative lakes or ponds, except those using recycled water.
- l. Use of water for the filling or refilling of swimming pools.

In the event voluntary conservation measures are insufficient to control a threatened or actual water shortage, the Company may impose mandatory conservation and rationing. The water allocated to each shareholder, the time period during which rationing shall be in effect, and any additional conditions, shall be determined by the Board of Directors based upon the circumstances then existing. Mandatory conservation measures shall not be imposed unless and until the same have first been discussed at a public meeting held for that purpose, which such meeting may be called on as little as forty-eight (48) hours' notice; provided, if a water delivery shortage exists due to a present inability of the Company facilities to deliver adequate water in accordance with historical usage and seasonal demand (due, for instance, to wells or other Company facilities being out of service for emergency maintenance, repair or replacement or due to a power outage), such mandatory conservation measures may be imposed on lesser notice, as the situation demands. In cases where such emergency conservation and rationing measures are taken, notice thereof will be posted at various locations in the Company's service area, hand-delivered to shareholders or posted on their properties, or given verbally to shareholders by such reasonable means as may under the circumstances be available. Mandatory conservation measures may be enforced by punitive measures including, without limitation, any or all of the following:

- a. After one verbal and one written warning, installation of a flow-restricting device on the service line of any property where Company personnel observe water being used or having been used for any non-essential or unauthorized use. Installation and removal of the flow-restricting device shall be at the expense of the shareholder. Any unauthorized removal of such a flow-restricting device will result in fines, penalties and additional costs for the subsequent reinstallation of the removed device and for any and all other damage or loss to the Company, including but not limited to Company facilities or the Company water supply, resulting directly or indirectly from such removal.
- b. Imposition of an "excess usage penalty", which may from time to time be adopted and amended by the Company, if a shareholder uses water in excess of that shareholder's allocated amount.

Section 2. **PROHIBITION AGAINST WASTE.** No shareholder is entitled to waste water under any circumstances. The Company may discontinue service to any shareholder or shareholder's land where negligent or wasteful use of water is determined to exist.

XIX

MISCELLANEOUS

Section 1. **RECORD DATE AND CLOSING OF SHARE CERTIFICATE BOOK.** These By-Laws herein fix a time of thirty (30) days prior to the date of any meeting of shareholders, or the date for any other action affecting the shareholders as a record date for the determination of the shareholders entitled to notice of and to vote at such meeting, or entitled to receive the benefit of any such other action and in such case only shareholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting or to receive such benefit, as the case may be, notwithstanding any transfer of any share certificate on the books of the Company thereafter.

Section 2. **CONSTRUCTION AND DEFINITIONS.** Unless the context otherwise requires, the general provisions, rules of construction, and definitions contained in the California General Corporation Law shall govern the construction of these By-Laws. Without limiting the generality of the foregoing, the masculine gender includes the feminine gender and the plural number includes the singular, and the term person includes corporation as well as natural person.

Section 3. **SALARIES AND WAGES.** The Company shall in no event pay salaries or wages in an amount in excess of rates prevailing in the community in which the Company operates.

ARTICLE XX

DISSOLUTION

In the event of the dissolution of the Company, each shareholder shall receive his/her pro rate portion of the Company property and assets after all of the Company's debts and liabilities have been paid or provided for.

ARTICLE XXI

AMENDMENTS

Section 1. Except as otherwise provided by law or by the Articles of Incorporation, new By-Laws may be adopted or these By-Laws may be amended or repealed by the vote or the written assent of shareholders entitled to exercise a majority of the voting power of the Company.

Section 2. Subject to the right of shareholders to adopt, amend, or repeal By-Laws, as hereinabove provided, By-Laws other than a By-Law or amendment thereof changing the authorized number of Directors, may be adopted, amended, or repealed by the Board of Directors.

KNOWN BY ALL MEN PRESENT:

That we, the undersigned, being the Board of Directors of PINON PINES ESTATES MUTUAL WATER COMPANY, hereby assent to the foregoing Amended By-Laws, and adopt the same as the By-Laws of said corporation.

IN WITNESS WHEREOF, we have hereunto set our hands this 13th day of April, 2016.

[Signature]
Director

[Signature]
Director

[Signature]
Director

[Signature]
Director

[Signature]
Director

THIS IS TO CERTIFY:

That I am the duly elected, qualified and acting Secretary of PINON PINES ESTATES MUTUAL WATER COMPANY, and that the above and foregoing Amended By-Laws were adopted as the By-Laws of said corporation on the 13th day of April, 2016 by the persons appointed in the Articles of Incorporation to act as the first directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of April, 2016.

[Signature]
Secretary



EXHIBIT "A"

PINON PINES ESTATES MUTUAL WATER COMPANY
SERVICE AREA

Tract No. 3348, Kern County, California, containing 240 lots;

Tract No. 3420, Kern County, California, containing 53 lots;

Four lots described as follows:

PARCEL 1: The north 192 feet of Lot 18 of fractional section 30, in Township 9 North, Range 20 West, San Bernardino meridian, in the county of Kern, state of California, according to the official plat thereof.

EXCEPT the east 190 feet thereof.

PARCEL 2: That portion of Lot 18, section 30, Township 9 North, Range 20 West, San Bernardino meridian, in the county of Kern, state of California, as said lot is shown on that certain map filed in book 8 of Record of Surveys at page 174 in the office of the county recorder of said county, described as follows:

A strip of land 50 feet in width, bounded on the north by the southerly line of that certain parcel of land conveyed to M.L. Tubbs by Edward L. Loughlin and wife, per deed recorded in book 3506 page 21 of the Official Records for said county, and on the south by a line parallel with and 50.00 feet southerly from, as measured at right angles, to said southerly line and extending easterly from the westerly line of said lot 18 to a line right angles to said southerly line and 110.00 feet westerly from the easterly line of said parcel.

PARCEL 3: That portion of Lot 18, section 30, Township 9 North, Range 20 West, San Bernardino meridian, in the county of Kern, state of California, as said lot is shown on that certain map filed in book 8 of Record of Surveys at page 174 in the office of the county recorder of said county, described as follows:

Beginning at the northerly line of said Lot 18 at the northeast corner of that certain parcel of land conveyed to Mildred L. Tubbs by Edward L. Loughlin and wife, per deed recorded in book 3506 page 20 of Official Records; thence from said point of beginning and along said northerly line;

1st. North 89 degrees 19 minutes 51 seconds East, 75.00 feet to a point distant thereon South 89 degrees 19 minutes 51 seconds West, 115.00 feet from the northeast corner of said lot; thence

2nd. South 21 degrees 51 minutes 49 seconds West, 207.87 feet to the southeast corner of said parcel; thence along the easterly line thereof.

3rd. North 0 degrees 43 minutes 14 seconds East, 192.06 feet to the point of beginning.