

Approved July 14, 2008

**BYLAWS
OF
BELMONT TERRACE MUTUAL WATER COMPANY**

ARTICLE I.

General Provisions

Section 1. Name. The name of this corporation is BELMONT TERRACE MUTUAL WATER COMPANY (hereafter referred to in these bylaws as "Belmont" or "corporation").

Section 2. Principal Office. The principal office for the transaction of business of the corporation shall be located in the State of California. The Board of Directors ("Board") shall have the authority to set and change the precise location of the principal office so long as the principal office remains in California.

Section 3. Purposes and Limitations. The corporation is a nonprofit mutual benefit corporation organized under California law. The corporation is also a "mutual water company" as that term is defined in Section 2705 of the California Public Utilities Code. The corporation is formed for the purpose of engaging in any lawful act or activity for which a nonprofit mutual benefit corporation may be organized under the law. Specifically, the corporation is formed for the purpose of delivering water to its members at cost, and, in the discretion of the Board, engaging in any other activity for which the corporation is authorized.

ARTICLE II.

Members

Section 1. Voting Members. The corporation is organized with members, but without capital stock. Voting members (also referred to as "members") shall consist of the owners of subdivided lots within the corporation's service area as determined from time to time by the Board, who have paid all fees and assessments required by the corporation and who are otherwise in good standing. Voting members shall have all rights afforded members under the California Nonprofit Mutual Benefit Corporation Law.

Section 2. Membership Agreements/Certificates

a. Membership Agreements/Certificates. Each owner of a lot in the corporation's service area shall sign a Membership Agreement, which when fully executed shall act as each member's evidence of membership (hereinafter "Certificate") in this corporation with respect to such lot. Such Certificates shall evidence the rights of membership, which shall include the right to receive water from

the mutual water system maintained by the corporation, subject to payment of all fees and assessments imposed with respect to membership. The Board may require the payment of a reasonable fee for connection to the water system based on the cost to the corporation of extending service to the subject lot. Each member shall be entitled to a pro-rata portion of the water provided by the corporation, and water supplied to a member shall be used only upon the lot to which the Certificate is appurtenant.

b. Appurtenant to lots. Certificates are appurtenant to the lots with respect to which they are issued, and may only be transferred with the lot to which they are appurtenant. Any purported transfer of a Certificate separate from the lot with respect to which it is issued shall be void and of no effect.

c. Transfers of Lots and Certificates. Upon receiving notice of a transfer of a lot to which a Certificate is appurtenant and all required information concerning the new owner, and following surrender of the old Certificate and payment of all outstanding fees and assessments, the secretary of the corporation shall prepare and deliver a new Membership Agreement in the name of the new owner of the lot to which it is appurtenant. The new owner shall not be received into membership or provided services unless all outstanding fees and assessments levied against the previous owner have been paid, whether by the previous owner or the new owner.

d. Legal Subdivision of Lots. A member whose lot is legally subdivided shall surrender the Certificate appurtenant to the lot to the corporation, and will be issued a new Certificate with respect to each lot created; provided, however, that the corporation may require payment of connection charges in accordance with this section as well as payment of any outstanding fees and assessments as a condition of issuance of a Certificate with respect to any newly created lot.

Section 3. Fees and Assessments.

a. Fees for water. Each member shall pay a monthly fee for water. The fee may be set/increased only by a majority vote of the Board and a majority vote of the membership at a properly called and noticed meeting where a quorum is present.

b. Metered Water Use. By the vote of a majority of the members of the Corporation, all Certificate holders may be required, at their expense, to install water meters for the purpose measuring water provided to their lots. If the corporation installs such meters, the charge for the cost of the meters and installation may be assessed against the members and their Certificates. Upon installation of meters, the corporation may assess regular periodic charges based on actual water usage, in addition to regular fees and assessments.

c. Assessments. When necessary for the purpose of maintaining, operating, and/or updating the water works system of the corporation, or for creating reserves or payment of necessary expenses, the Board may, from time to time, levy assessments on members in addition to the regular fees charged for water. Such

assessments shall be established by the Board, but must be approved by a majority vote of the membership at a properly called and noticed meeting where a quorum is present. Notice of the assessments shall be given to members at least 30 days prior to the date the assessment is effective.

d. Late Fees and Collection Costs. If any fee for water use or any assessment is not paid within 30 days of its due date, the board may charge the member owing the assessment a late fee equal to 1.5% per month (18% per annum) or portion thereof times the aggregate amount of all overdue assessments, calculated from the original due date for such assessments, and all costs of collection, including but not limited to attorney's fees and costs. The balance of past due fees, assessments, late charges and collection costs shall be referred to as "delinquent assessments", and shall constitute an obligation of the member to the corporation enforceable in accordance with applicable law.

e. Impact on Membership. Delinquent assessments shall constitute a material breach of the Membership Agreement and these bylaws. The Board may suspend or expel a member who is delinquent more than twice in any twelve month period pursuant to the procedures described in Section 7 of this Article II. in the event a member is expelled, the certificate issued by the corporation shall be deemed forfeited.

f. Liens. Delinquent assessments shall also constitute a lien against the member's property, and the corporation may do all things necessary and proper to enforce such lien.

g. Cessation of Water Service. The Board or its attorney may notify a member and/or the occupant of the lot to which it was appurtenant that water service to the subject lot will be discontinued unless, within seven (7) days after the mailing of any notice of delinquency, payment is received by the corporation for the amount of all delinquent assessments. Cessation of water service as a remedy for a member's failure to pay delinquent assessments shall be in addition to any other remedy provided by law or these bylaws.

Section 4. Good Standing. Those members who have paid the required fees and assessments in accordance with these bylaws and who are not in violation of any provision of the Membership Agreement or any bylaw, rule, or policy of the corporation, shall be members in good standing.

Section 5. Termination of Membership. Membership shall terminate on the occurrence of any of the following events:

- (a) Resignation of a member upon notice to the corporation;
- (b) Failure of a member to pay any fees, dues or assessments set by the Board within the period of time fixed by the Board after they become due and payable;

- (c) Expulsion pursuant to Section 7 of this Article.

Section 6. Suspension or Expulsion of Membership. A member may be suspended or expelled in accordance with Section 7 of this Article, based on the good faith determination by the Board, or a committee authorized by the Board to make such a determination, that the member has failed in a material and serious degree to comply with the corporation's Membership Agreement, Articles of Incorporation, bylaws, or any law applicable to the corporation and its members, or is delinquent in the payment of fees and assessments more than twice in a twelve month period, or has engaged in conduct materially and seriously prejudicial to the purposes and interests of the corporation.

A person whose membership is suspended shall not be a member in good standing during the period of suspension.

Section 7. Procedure for Suspension or Expulsion. If grounds appear to exist for suspension or expulsion of a member under this Article, the procedures set forth below shall be followed:

- a. The member shall be given at least 15 days prior notice of the proposed suspension or expulsion and the reasons for the proposed suspension or expulsion. Notice shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be sent first class or express mail to the member's last address as shown on the corporation's records. However, facsimile or electronic mail may be used for this notice if reasonably believed that the member will receive the notice.
- b. 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 suspension or expulsion. The hearing shall be held, or the written statement considered, by the Board or by a committee authorized by the Board to determine whether the suspension or expulsion should take place.
- c. The Board or authorized committee shall decide whether or not the member should be suspended, expelled or sanctioned in some other way. The decision of the Board, committee, or person shall be final.
- d. Any action challenging a suspension or expulsion of membership, including a claim alleging defective notice, must be received by the corporation within one year after the effective date of the suspension or expulsion.

Section 8. Effect of Suspension or Expulsion. All rights of a member of the corporation shall cease upon suspension or expulsion from membership. In the case of

expulsion, the member's membership in corporation shall terminate on the effective date of the expulsion. However, suspension or expulsion shall not relieve the member (or former member) of any existing obligations to the corporation.

Section 9. No Rights to Assets/No Withdrawal Value. Membership in the corporation does not constitute an ownership interest in any asset of the corporation at any time. If a membership is terminated for any reason, the corporation shall not be liable for the payment of any amount whatsoever to the member. Each member is received into membership on her express agreement to this provision.

Section 10. Transfer of Memberships. A membership or any right arising from membership may not be transferred to another person or lot owner without the prior written approval of the Board.

Section 11. Liability of Members. Except as provided by law or by written agreement of a member, no member is liable for the corporation's debts, liabilities, or obligations.

Section 12. Meetings of Members.

- a. Place of Meetings. Meetings of the members shall be held at any place within California designated by the Board or by written consent of a majority of the persons 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.
- b. Annual Meeting. An annual meeting of members shall be held at a time and location determined by the Board. At this meeting, any proper business may be transacted, subject to any limitations in law or these bylaws. Written notice of the annual members' meeting shall be given at least 30 days in advance in accordance with the procedures provided in subsections (d) and (e) below. Only members may vote at the annual meeting of members.
- c. Special Meetings. A special meeting of the members for any lawful purpose may be called at any time by (1) the Board, (2) any officer, or (3) five percent (5%) of the members. Only members may vote at a special meeting of the members.

A special meeting of members shall be called by written request, specifying the general nature of the business proposed to be transacted and submitted to the President or to the Secretary of the Association. The officer receiving the request shall cause notice to be given promptly to the members entitled to vote, in accordance with subsections (d) and (e) below, stating that a meeting will be held at a specified time and date fixed by the Board. If the meeting is called by anyone other than the Board, the meeting date shall be at least thirty-five (35), but not more than ninety (90)

days after receipt of the request. If the Board calls the meeting, the meeting date may be any date for which appropriate notice is given in accordance with subsections (d) and (e) below. If notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice.

No business other than the business, the general nature of which was set forth in the notice of the meeting, may be transacted at a special meeting.

- (d) Notice Requirements for Members' Meetings. Written notice of any members' meeting shall be given, in accordance with these bylaws, to each member of the corporation. The notice shall specify the place, date, and hour of the meeting, and, (1) for a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (2) for the annual meeting, those matters that the Board, at the time notice is given, intends to present for action by the members, but except as provided in Section 14 below, 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.
- (e) Manner of Giving Notice for Meetings. Except as otherwise provided by law or these bylaws, notice of any meeting of members shall be in writing and shall be given at least ten (10), but not more than ninety (90) days before the meeting date. Notice may be delivered either personally or by first class mail, charges prepaid, or by other means of written communication, including facsimile or electronic mail, and shall be addressed to each member entitled to vote, at the address of that member appearing on the books of the corporation or at the address given by the member to the corporation for purposes of notice. Provided however, that facsimile or email may only be used to give notice to members who have provided un-revoked written consent to such methods of notice.

Section 13. Waiver of Notice or Consent. The transactions of any members' meeting, however called or noticed and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (1) a quorum is present, and (2) either before or after the meeting, each member who is not present in person, signs a written waiver of notice, a consent to holding of the meeting, or an approval of the minutes. The waiver of notice, consent or approval need not specify either the business to be transacted or the purpose of any meeting of members. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes.

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 14. Quorum. Ten (10) of the voting members shall constitute a quorum for the transaction of business at any meeting of members. Provided, however, that if any meeting of members is actually attended by less than one-third of the voting power, the only matters that may be voted on are those for which the general nature of the action was specified on the notice of the meeting.

Section 15. Loss of Quorum. The members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough members 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 (or by a greater number if required by law or by the articles of incorporation or these bylaws). Any meeting may be adjourned by a majority of those members in attendance, whether or not a quorum is present.

Section 16. Act of the Members. If a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting, entitled to vote and voting on any matter, shall be the act of the members, unless the vote of a greater number is required by law, or by the articles of incorporation or these bylaws.

Section 17. Eligibility to Vote/Number of Votes. Members entitled to vote at any meeting of members or by ballot shall be all those in good standing as of the date the vote is taken. Each member shall be entitled to one vote at any annual or special meeting of members.

Section 18. Proxies. Proxy voting is not allowed.

Section 19. Action by Written Ballot Without a Meeting. Any action that may be taken at any meeting of members may be taken without a meeting by complying with the following procedure.

The President shall cause a ballot to be distributed to each member. Such ballots shall be delivered in the manner required by Section 12(e). All solicitations of votes by written ballot shall (1) indicate the number of members responding needed to meet the quorum requirement, (2) state the percentage of approvals necessary to pass the action or actions, and (3) specify the time by which the ballot must be received by the corporation in order to be counted. Each ballot so distributed shall (1) set forth the proposed action, (2) provide 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.

Action by written ballot shall be valid only when (1) the number of members casting ballots 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.

A written ballot may not be revoked. All written ballots shall be filed with the Secretary of the corporation and maintained in the corporate records for at least three years.

ARTICLE III.

Board of Directors

Section 1. Powers of Board of Directors. The Board, subject to restrictions of law, the Articles of Incorporation, and these bylaws, shall exercise all powers of the corporation. Without limitation on its general power, except as specified herein, the Board may do the following:

- (a) Policies. Adopt policies, rules and procedures for the management and operation of the corporation.
- (b) Administration. Retain an individual or management firm to administer the day-to-day activities of the corporation. An individual retained pursuant to this authority shall be known as the Manager. The Board may also employ, retain, or authorize the employment of such other employees, independent contractors, agents, accountants, and legal counsel as it from time to time deems necessary or advisable in the interest of the corporation, prescribe their duties and fix their compensation.
- (c) Bonds. Require officers, agents, and employees charged by the corporation with responsibility for the custody of any of its funds or negotiable instruments to give adequate bond.
- (d) Borrowing money. Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the corporation's purposes, in the corporation name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, liens, and other evidences of debt and securities.
- (e) Gifts. Receive and accept gifts, devises, bequests, donations, annuities, and endorsements of real and personal property, and use, hold and enjoy the same, both as to principal and income, and to invest and re-invest the same or any part thereof for the furtherance of any objects, interests or purposes of this corporation.

- (f) Contributions. Make such contributions as the Board determines are necessary and advisable in furtherance of the interests and purposes of this corporation.
- (g) Fiscal Year. Fix and change the fiscal year of the corporation.
- (h) Seal. Adopt and use a corporate seal provided that the name of the corporation and the state are shown on it. The seal may be affixed to such instruments as the Board shall direct. However, the lack of a corporate seal shall not, by itself, affect the legality of any document executed on behalf of the corporation.
- (i) Contracts. Enter into contracts and agreements with individuals and with public and private entities for the advancement of the purposes for which the corporation is organized.
- (j) Property. Acquire, construct, possess, and sell real and personal property.
- (k) Bank Accounts and Special Funds. Establish one or more bank accounts and/or special funds in order to accomplish and further the purposes of the corporation.
- (l) Committees. Appoint committees as provided in these bylaws.
- (m) Ex officio members of the Board. Appoint any number of non-voting ex officio directors who the Board believes will make a contribution to the activities and operation of the corporation. Ex officio directors shall serve at the pleasure of the Board in an advisory capacity only and shall not have any of the rights or obligations applicable to voting directors under the law or these bylaws.
- (n) Other. Do and perform all acts and exercise all powers incidental to, or in connection with, or deemed reasonably necessary for the proper implementation of the purposes of the corporation.

Section 2. Number/Qualifications.

- a. Number. The Board shall consist of at least three but no more than five directors, the exact number to be determined by resolution of the Board from time to time.
- b. Qualifications. Every director must be a member in good standing of the corporation.

Section 3. Election of Directors. All directors shall be nominated and elected by the voting members at the annual meeting of members.

Section 4. Terms of Office. The term of office of each director shall be three (3) years and all directors shall serve until expiration of the term for which elected and until a successor has been elected and qualified. No director shall serve more than two (2) consecutive terms as a director. Once a director has served two consecutive terms, a period of one (1) year must pass before a director may be re-elected to the Board.

Section 5. Reduction of Number of Directors. No change of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 6. Resignations/Removals. Except as provided below, any director may resign by giving written notice to the President or the Secretary. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. Any director may be removed from the Board by a vote of the members.

Section 7. Vacancies. A vacancy or vacancies on the Board shall exist on the occurrence of the following: (a) the death or resignation of any director, (b) the declaration by resolution of the Board of a vacancy in the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, (c) the vote of the members to remove any director(s), (d) the increase of the authorized number of directors, or (e) the 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 8. Filling Vacancies. Except for vacancies created by removal of a director by the members, vacancies on the Board may be filled by a majority vote of the remaining directors on the Board at any properly called Board meeting, whether or not less than a quorum, or by a sole remaining director. The members may fill any vacancy or vacancies not filled by the directors. Any individual filling a vacancy pursuant to this section shall be a member of the corporation in good standing. Except as provided below, individuals appointed to fill a vacancy shall serve until the end of the term of the director whose vacancy they are filling.

Section 9. Annual and Special Board Meetings. An annual meeting of the Board shall be held on the same day as, or the day before or after, the annual meeting of members. Other special meetings of the Board may be held from time to time on the call of the President, the Secretary or any two directors. The time and purpose for any special meeting shall be set by the person(s) calling such meeting.

Section 10. Notice of Board Meetings. Notice of meetings of the Board, specifying the time and place of the meeting, shall be given to each director at least seven (7) days before the meeting if sent by first-class mail or express mail service, or forty-eight

(48) hours before the meeting if personally delivered or delivered by telephone, electronic mail, or facsimile. Notice shall be deemed delivered when deposited in the U.S. mail or with an express mail service, or when received if delivered personally or by telephone, or on its confirmation of delivery if by facsimile or electronic mail. Provided however, that facsimile or email may only be used to give notice to directors who have provided un-revoked written consent to such methods of notice.

Section 11. Place and Time of Meetings. Meetings of the Board shall be held at whatever place and time is designated from time to time by the Board or persons calling the meeting and, in the absence of any designation, shall be held at the principal office of the corporation.

Section 12. Meetings by Telephone. Any meeting of the Board may be held by conference telephone, conference video, or similar communication equipment, so long as the following conditions are met:

- (a) Each director participating in the meeting can communicate with all other directors concurrently.
- (b) Each director 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 Board.
- (c) The Board adopts and implements some means of verifying both of the following:
 - (1) A person communicating by telephone, electronic video screen, or other communications equipment is a director entitled to participate in the Board meeting.
 - (2) All statements, questions, actions or votes were made by that director and not by another person not permitted to participate as a director.

Section 13. Waiver of Notice and Consent to Meetings. 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.

Section 14. Quorum. A majority of the authorized number of directors shall constitute a quorum of the Board for the transaction of business, except to adjourn.

Section 15. Act of the Board. Unless otherwise restricted by law or these bylaws, every act or decision done or made by a majority of directors present at a meeting duly held at which a quorum is present shall be regarded as an act of the Board. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of a director(s), if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

Section. 16. Adjournment. A majority of the directors present, whether or not a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of the adjournment to another time or place must be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment. Any business that might have been transacted at a meeting as originally noticed may be transacted at an adjourned and rescheduled meeting.

Section 17. Closed Meetings. Any meeting of the Board may be closed by the President so that only directors and individuals deemed necessary by the President are present. The minutes of any closed meeting may be maintained as confidential by the corporation and shall not be disclosed, except as required by a judge in a court order after a hearing.

Section 18. Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all directors on the board individually or collectively consent in writing to that action. The written consent or consents shall be filed with the minutes. An action by written consent shall have the same force and effect as a unanimous vote of the directors. For purposes of this section only, "all directors on the board" does not include an "interested director" as defined in Section 5233 of the California Corporations Code insofar as it is made applicable pursuant to Section 7238 of the California Corporations Code.

Section 19. Compensation of Directors. Directors shall not receive compensation for their services as directors. Directors may, at the discretion of the Board, receive reimbursement for travel and other actual expenses related to activities on behalf of the corporation if authorized by the Board or a committee having such authority.

Section 20. Voting Power. For all purposes, the voting power of each voting director shall be one vote.

Section 21. Property Rights. No director shall have any property rights in any assets of the corporation.

ARTICLE IV.

Officers

Section 1. Officers. The Board shall elect at its annual meeting a President, Secretary, and Treasurer, all of whom must be directors and all of whom are referred to as “elected officers”. Except as otherwise provided in these bylaws, no individual may hold more than one officer position.

Section 2. Terms of Office. The term of office for elected officers is one year and until a successor is elected and qualified. There shall be no limit on the number of terms an officer may serve so long as he or she remains qualified and is re-elected.

Section 3. Compensation of Officers. The elected officers of the corporation shall not receive compensation for their services.

Section 4. Removal of Officer. Any elected officer may be removed at any time, for any reason, by a majority vote of the Board.

Section 5. President. The President of the Board shall preside at all meetings of the members and the Board. The President shall be an *ex-officio* member of all committees. The President shall have the general powers and duties usually vested in the office of president of a corporation, and shall have whatever other powers and duties may be prescribed by the Board.

Section 6. Secretary. The Secretary shall keep, or cause to be kept, at the principal office or other place that the Board may designate, a book of minutes of all membership meetings and meetings of the Board, stating the time and place, whether regular or special, and, if special, how authorized, the notice given, the names of those directors present, and the proceedings of those meetings. The Secretary shall keep, or cause to be kept, a regular showing of the names of the members and directors, their addresses and telephone numbers. In the absence of the President, the Secretary shall perform all the duties of the President, and when so acting, shall have all the power of and be subject to all the restrictions of the President. The Secretary shall give, or cause to be given, notice of all meetings; shall keep the seal of the corporation, if any, in safe custody; and shall have whatever powers and duties may be prescribed from time to time by the Board.

Section 7. Treasurer. The Treasurer shall be the Chief Financial Officer of the corporation. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gain, losses, capital and surplus. The Treasurer shall cause to be filed all reports required by government entities, including but not limited to the Internal Revenue Service, the California Franchise Tax Board, and the Secretary of State. In the

absence of the President and the Secretary, the Treasurer shall perform all the duties of the President, and when so acting, shall have all the power of and be subject to all the restrictions of the President.

The Treasurer shall render to the President and directors, on request, an account of all of the transactions and of the financial condition of the corporation, and shall have whatever other powers and duties may be prescribed by the Board.

ARTICLE V.

Committees

Section 1. Committees of the Board. The Board may create one or more "committees of the Board", each consisting of two or more directors *and no persons who are not directors*, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by a majority vote of the Board. Any such committee, to the extent provided in the Board resolution creating the committee, shall have all the authority of the Board, except that no committee, regardless of Board resolution, may:

- (a) Fill vacancies on the Board or on any committee that has the authority of the Board;
- (b) Fix compensation of the directors for serving on the Board or on any committee;
- (c) Amend or repeal Bylaws or adopt new Bylaws;
- (d) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable;
- (e) Create any other committees of the Board or appoint the members of committees of the Board; or
- (f) Approve any contract or transaction to which the corporation is a party and in which one or more of its directors has a material financial interest, except as allowed by the California Corporations Code.

Section 2. Notice Requirements for Committees of the Board. Written notice, via personal delivery, express mail, fax, or email, shall be provided to all committee members at least 48 hours in advance of any meeting of a committee of the Board. Provided, however, that this notice may be waived in writing, or by the committee member's actual attendance at the meeting. Fax and email may only be used to give notice if the committee member has provided an un-revoked written consent to such methods of notice.

Section 3. Quorum for Committees of the Board. A majority of the voting members of any committee of the Board shall constitute a quorum, and the acts of a majority of the voting members present at a meeting at which a quorum is present shall constitute the act or recommendation of the committee.

Section 4. Advisory Committees. The Board may also establish advisory committees composed of at least one director and any number of other interested persons who are not directors. Advisory committees shall provide advice and recommendations to the Board but shall not have the authority of the Board or any final decision making authority.

Section 5. Meetings by Telephone. Any meeting of a committee may be held by conference telephone or similar communication equipment in the same manner provided for in Article III.

ARTICLE VI.

Liability, Indemnification, and Insurance

Section 1. Liability. Subject to any limitations contained in the California Corporations Code, there is no monetary liability on the part of, and no cause of action for damages shall arise against, any volunteer director or officer of the corporation based on any alleged failure to discharge the person's duties as a volunteer director or officer if the duties are performed in accordance with the standards of conduct provided for in the California Corporations Code.

Section 2. Indemnification.

- (a) Right of Indemnity. To the fullest extent permitted by law, this corporation shall indemnify its directors, officers, employees, and other persons described in Section 7237(a) of the California Corporations Code, including persons formerly occupying any such position, 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 Section 7237(a) of the California Corporations Code.
- (b) Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California Corporations Code, the Board shall promptly determine under Section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 7237(b) or Section 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 Section 7237(e) whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the members present at the meeting shall authorize the indemnification.

Section 3. Insurance. The Board may adopt a resolution authorizing the purchase and maintenance of an insurance policy or policies or bond on behalf of its directors, officers or employees against any liabilities, other than for violating provisions against self-dealing, incurred by the director, officer or employee in such capacity or arising out of their status as such.

ARTICLE VII.

Miscellaneous

Section 1. Inspection of Records. The members and directors of the corporation shall have the right to inspect the records of the corporation to the extent and under the circumstances provided by the California Nonprofit Mutual Benefit Corporation Law.

Section 2. Annual Report. Within 120 days after the close of the corporation's fiscal year, the Board shall cause an annual report to be prepared in accordance with Section 8321 of the California Corporations Code. The report shall be made available to any member who requests a copy.

Section 3. Annual Statement of Transactions and Indemnifications. As part of the annual report described in Section 2 above, the Board shall cause to be prepared a statement of any transaction of indemnification if required by Section 8322 of the California Corporations Code.

Section 4. Fiscal Year. Unless changed by the Board, the fiscal year of the corporation shall begin on the first day of October and end on the last day of September of each year.

Section 5. Conflicts of Interest. Board members and committee members must actively seek to avoid situations and activities that create an actual or potential conflict between the individual's personal interests and the interests of the corporation. If a Board member or committee member believes that a conflict exists relative to a particular issue being considered by the Board or any committee, he or she shall disclose the conflict to the Board or committee, as appropriate, and abstain from discussion or voting on the issue.

For purposes of this section and these bylaws, a "conflict of interest" means a situation in which a Board or committee member is part of a discussion or decision by the Board

or a committee which has the potential to financially benefit that Board or committee member or a member of that Board or committee member's immediate family to a greater extent than it will benefit other members of the corporation. "Immediate family" means, spouse or same-sex/domestic partner, children, parents, siblings, parents-in-law, or siblings-in-law.

Both the fact and the appearance of a conflict of interest should be avoided. Board members or committee members who are unsure as to whether a certain transaction, activity, or relationship constitutes a conflict of interest should discuss it with the President, who will determine whether disclosure to the Board or the assistance of legal counsel is required.

Section 6. Intellectual Property. All intellectual property prepared or purchased by or on behalf of the corporation, including but not limited to newsletters, reports, contracts, logos, service marks, membership lists, and research results, shall be the exclusive property of the corporation and Board members agree to deal with it as such. Board members agree that they will not sell, transfer, publish, modify, distribute, or use for their own purposes, the intellectual property belonging to the corporation without prior approval of the Board memorialized in a writing signed by the President.

Section 7. Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular includes the plural, the plural includes the singular, the masculine includes the feminine and neuter, and the term "person" includes both an individual and an entity.

ARTICLE VIII.

Amendments

Section 1. Amendment to Bylaws. These bylaws may be amended, or repealed and new bylaws adopted, by a vote of the Board. However, approval of the members is also required for any amendment or for new bylaws that would:

- (a) Materially and adversely affect the members' rights as to voting or dissolution;
- (b) Effect an exchange, reclassification, or cancellation of all or part of the memberships;
- (c) Authorize a new class of membership;
- (d) Change the number of authorized directors;

- (e) Change from a fixed number of directors to a variable number of directors, or vice versa;
- (f) Increase or extend the terms of directors;
- (g) Allow any director to hold office by designation or selection rather than by election by the members;
- (h) Increase the quorum for members' meetings; or
- (i) Repeal, restrict, create, expand, or otherwise change proxy rights.

All proposed bylaw amendments or new bylaws must be sent to all directors and/or members eligible to vote on such amendments or new bylaws at least 10 days prior to the meeting at which the amendments or new bylaws will be discussed and voted on.

ARTICLE IX.

Dissolution

Section 1. Voluntary Dissolution. The corporation may be voluntarily dissolved at any time by a 2/3 vote of all the members. If the members approve the dissolution, the directors shall promptly cease operations and proceed to wind up and dissolve the corporation.

Section 2. Remaining Assets. Upon the dissolution of the corporation, all debts thereof shall be paid and its affairs settled, and all remaining assets shall be distributed on a pro-rata basis to the members of the corporation at the time of dissolution.

CERTIFICATE OF SECRETARY

BELMONT TERRACE MUTUAL WATER COMPANY

I certify that I am the duly elected and acting Secretary of BELMONT TERRACE MUTUAL WATER COMPANY, a California nonprofit mutual benefit corporation, that the above Bylaws, consisting of 19 typewritten pages including this page, are the Bylaws of this corporation as adopted by the Board of Directors on June 19, 2008, and approved by the membership on July 14, 2008, and that they have not been amended or modified since that date.

Executed on the ____ day of _____, 2008 at
_____, California.

Sandra Ann Pete, Secretary