

**[NOTE: WITH AMENDMENTS TO ART. IV, SECTION 1 AND ART. VI, SECTION 1]  
BYLAWS OF THE**

**CALIFORNIA ASSOCIATION OF MUTUAL WATER COMPANIES  
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION**

**ARTICLE I**

**CORPORATE NAME, OFFICES AND FISCAL YEAR**

**Section 1. CORPORATE NAME.** The name of this California non-profit mutual benefit corporation is the California Association of Mutual Water Companies (referred to herein as the “Association” or “corporation”).

**Section 2. PRINCIPAL OFFICE.** The principal office for the transaction of activities and affairs of this corporation shall be in such location as the corporation’s Board of Directors may establish from time to time.

**Section 3. CHANGE OF ADDRESS.** The Board of Directors may change the principal office from one location to another, and such changes of address shall not be deemed an amendment of these bylaws.

**Section 4. OTHER OFFICES.** The corporation may also have offices at such other places, within or without of the State of California, where it is qualified to do business, as its business may require and as the Board of Directors may, from time to time, designate.

**Section 5. FISCAL YEAR OF THE CORPORATION.** The fiscal year of the corporation shall begin on the 1<sup>st</sup> day of January (i.e., January 1) and end on the last day of December (i.e., December 31) in each year.

**ARTICLE II**

**PURPOSES AND OBJECTIVES**

**Section 1. OBJECTIVES AND PURPOSES.** The specific purpose of this corporation is to act as a statewide association for mutual water companies and to pursue issues of common interest among mutual water companies throughout California.

**Section 2. MUTUAL BENEFIT CORPORATION STATUS.** The corporation is a non-profit mutual benefit corporation organized under Sections 7110-8910 of the California Corporations Code, and is not organized for the private gain of any person.

Section 3. FEDERAL TAX EXEMPT STATUS. This corporation is organized and operated as a trade association in accordance with Internal Revenue Code Section 501(c)(6). Notwithstanding any other provisions of these bylaws, the corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that do not further the purposes of the corporation and shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c) of the Internal Revenue Code or by a corporation contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code.

Section 4. CONSTRUCTION AND DEFINITIONS. Unless the context of these bylaws requires otherwise, the general provisions, rules of construction and definitions of the California Non-Profit Mutual Benefit Corporation Law shall govern the construction of these bylaws.

### ARTICLE III

#### MEMBERS

Section 1. DEFINITION OF MEMBER; CLASSES OF MEMBERSHIP. As used in these Bylaws, the term “member” shall refer to any person or entity that is a Regular Member, an Associate Member, an Affiliate Member or an Individual Member, as defined in subdivisions (a) through (d), below. Any member must comply with all eligibility requirements that the corporation’s Board of Directors may establish from time to time, including the payment of dues.

(a) Membership as a “Regular Member” shall be available to any duly created business entity operating in the State of California that is a mutual water company, as defined in California Corporations Code Section 14300.

(b) Membership as an “Associate Member” shall be available to any other entity that operates a public water system, as defined in California law, or that otherwise provides domestic or irrigation water service in California, but is not a mutual water company, as defined in California Corporations Code Section 14300.

(c) Membership as an “Affiliate Member” shall be available to any natural person or business entity that typically provides goods or service to Regular Members, or that otherwise desires to support the Association.

(d) Membership as an “Individual Member” shall be available to any natural person who desires to join the Association. Examples of contemplated Individual Members are members of boards of directors of Regular Members.

Section 2. REGULAR MEETINGS. Meetings of members shall be held at a location in the State of California to be designated by the Association’s Board of Directors. The annual meeting of members shall be held each year on a date and at a time designated by the Board of Directors. At each annual meeting, directors whose terms are then expiring shall be elected and any other proper business may be transacted, including passing upon reports for the previous

fiscal year and transacting such other business as may come before the meeting. Failure to hold the annual meeting at the designated time and date 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. A special meeting of the members may be called at any time by the Board of Directors, or by the Chairman of the Board, or by the President, or by one or more members holding memberships as Regular Members in the aggregate entitled to cast not less than five percent (5%) of the votes.

Section 4. NOTICE OF MEMBERS' MEETINGS. All notices of meetings of members shall be sent or otherwise given in accordance with Section 5 of this Article III not less than ten (10), nor more than ninety (90), days before 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 members. The notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by the board for election, pursuant to Section 7511(a) of the Corporations Code of California.

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 7233 of the California Corporations Code, (ii) an amendment of the Articles of Incorporation, pursuant to Sections 7812 and 7813 of that Code, (iii) a sale or transfer of all or substantially all of the Association's assets pursuant to Section 7911 of that Code, (iv) a merger of the corporation pursuant to Section 8011 of that Code; or (v) a voluntary dissolution of the corporation, pursuant to Section 8610 of that Code, the general nature of that proposal shall be stated in the notice given to, or in the written waiver of notice received from, each member entitled to vote thereon.

Section 5. MANNER OF GIVING NOTICE. Notice of any meeting of members shall be given either personally or by first-class mail, electronic mail, or other written communication, as allowed by law charges prepaid (including notice by electronic transmission in accordance with Corporations Code Sections 20 and 7511).

Section 6. QUORUM. One-third (33.33%) of the eligible Regular Members of the Association, represented in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the Association's members.

Section 7. ADJOURNED MEETING AND NOTICE THEREOF. Any members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the Regular Memberships represented at that meeting, either in person or by proxy.

Section 8. VOTING. Only Regular Members shall have the right to vote on matters affecting the Association, including the election of directors. At all meetings of members, every Regular Member entitled to vote shall have the right to exercise its vote in person or by proxy;

one vote per Regular Member. Such vote may be by voice or by written ballot; provided, however, that all elections for directors must be by written ballot.

If a quorum is present, the affirmative vote of the majority of Regular Memberships represented at the meeting and entitled to vote on the matter shall be the act of the members, unless the vote of a greater number of memberships is required by the Corporations Code of the State of California.

Section 9. ACTION WITHOUT A MEETING. Any action which may be taken at any regular or special meeting of members may be taken without a meeting if the Association distributes a written ballot to every Regular Member entitled to vote on the matter. If approved by the Board of Directors, the Association may send that ballot and any related material by electronic transmission pursuant to Corporations Code Section 20 and responses may be returned to the Association by electronic transmission pursuant to Corporations Code Section 21. That ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association. Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the proposal at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Ballots shall be solicited in a manner consistent with the requirements of the Corporations Code Sections. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and, with respect to ballots other than for the election of directors, shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted. A written ballot may not be revoked.

Section 10. PROXIES. Every Regular Member entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the Regular Member and filed with the secretary of the Association. Exercise of proxies shall be governed by Corporations Code §7613.

## ARTICLE IV

### CORPORATE GOVERNANCE AND DIRECTORS

Section 1. NUMBER AND QUALIFICATIONS. The corporation shall have no less than five (5) and no more than twenty-one (21) directors, as established by the Board of Directors from time to time; provided, that the initial number of directors of the corporation shall be seven (7). The number of directors may be changed by amendment of these bylaws, or by repeal of these bylaws and adoption of new bylaws. All directors must be an officer, employee or director of a Regular Member of the corporation, or may otherwise be nominated by a Regular Member in the manner specified in subdivisions (a) through (c), below. Upon a determination

by the Board of Directors that it is in the best interests of the corporation to do so, directors may be elected by region.

(a) Any Regular Member may place into nomination for a position on the corporation's Board of Directors any person, other than an officer, employee or director of that Regular Member, by the submission of a written resolution of that Member and at least two other Members in support of that nomination.

(b) Any such nominations and supporting resolutions must be submitted to the corporation no later than the date specified by the corporation in order to allow any such nominations to be included in the ballots to be distributed for the meeting at which the election of directors will take place.

(c) This Member nomination process shall be the sole method to place candidates into nomination for membership on the corporation's Board of Directors, except for any nominations determined by the corporation's Board of Directors or any Nominating Committee, if established.

Section 2. GENERAL POWERS. The business and affairs of the corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors.

Section 3. DUTIES AND PERFORMANCE. Without limiting the general powers described in Section 2 of this Article, the directors shall have the following duties and powers, as well as the authority to perform any and all duties imposed on them collectively or individually by law, by the Association's articles of incorporation, or by these bylaws, including:

(a) Perform any and all duties imposed on them collectively or individually by law, by the Association's articles of incorporation, or by these bylaws;

(b) Appoint and remove, employ and discharge, and, except as otherwise provided in these bylaws, prescribe the duties and fix the compensation, if any, of all officers, agents, and employees (if any) of the corporation;

(c) Supervise all officers, agents, and employees (if any) of the corporation to assure that their duties are performed properly;

(d) Meet at such times and places as required by these bylaws;

(e) Conduct, manage and control the affairs, transactions, and services and activities of the corporation, including the implementation of policies, rules and regulations for such purposes and the election, from time to time, of the Board of Directors.

(f) Upon approval by two-thirds of the Board of Directors, borrow money and incur indebtedness for the purposes of the corporation and to execute and deliver, in the corporate

name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidences of debt and securities.

A director shall perform his or her duties as a director, including duties as a member of any committee of the Board of Directors upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

In performing his or her duties as a director, a director shall be entitled to rely on information opinions, reports or statements including financial statements and other financial data, in each case prepared or presented by:

(1) one or more officers of the corporation whom the director believes to be reliable and competent in the matters presented;

(2) counsel, independent accountants or other persons as to matters, which the director believes to be within such person's professional or expert competence; or

(3) a committee of the Board of Directors upon which the director does not serve and which the director believes to merit confidence as to matters within its designated authority, provided, in any such case, that the director acts in good faith and without knowledge or after reasonable inquiry when the need therefore is indicated by the circumstances that would cause such reliance to be unwarranted.

Section 4. INITIAL APPOINTMENT AND TERM OF OFFICE. The members of the Board of Directors as of the initial meeting of the Board shall be those persons whose names are attached to these bylaws as Exhibit A. Those directors shall serve until the first regular meeting of the corporation's members. Thereafter, directors shall be elected at the annual meetings of the members, as applicable, to serve terms of three (3) years; provided, however that of the initial seven (7) directors, two (2), to be chosen by voluntary agreement or by lot if such agreement cannot be reached, shall be elected to serve an initial term of only one (1) year, and two (2), to be chosen by voluntary agreement or by lot if such agreement cannot be reached, shall be elected to serve an initial term of only two (2) years, to provide for staggered three (3) year terms among the directors thereafter. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified, unless the director has been removed from office. The Chairman of the Board shall be selected by a majority vote of the directors following the appointment or election of directors at each annual meeting.

Section 5. COMPENSATION. Directors shall serve without compensation except that, as may be specifically agreed by the Board of Directors in advance, they may be allowed reasonable advancement or reimbursement of expenses incurred in the performance of their duties.

Section 6. RESTRICTION REGARDING INTERESTED DIRECTORS.

Notwithstanding any other provision of these bylaws, not more than forty-nine percent (49%) of the persons serving on the Board of Directors may be interested persons. For purposes of this Section, "interested persons" means either:

(a) Any person currently being compensated by the corporation for services rendered it within the previous twelve (12) months, whether as a full- or part-time officer or other employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; or

(b) Any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person.

Section 7. PLACE OF MEETINGS. Meetings shall be held as designated by the Board of Directors. Any meeting, regular or special, may be held by electronic mail, conference telephone, electronic video screen communication, or other communications equipment. Participation in a meeting through use of conference telephone constitutes presence in person at that meeting.

Section 8. ANNUAL AND REGULAR MEETINGS. The Board of Directors, in its discretion, shall designate a place, date and hour for an annual business meeting of the Board of Directors. If the designated day falls on a legal holiday, the meeting shall be held at the same hour and place on the next business day. Each director shall have one vote at such meetings. Other regular meetings of the Board of Directors shall be held as designated from time to time by Board of Directors and at a place designated or consented to in accordance with this Article.

Section 9. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the chairperson of the Board of Directors, the president, a vice president, the secretary, or by any two directors, and such meetings shall be held at the place, within or without the State of California, designated by the person or persons calling the meeting, and in the absence of such designation, at the principal office of the corporation.

Section 10. NOTICE OF MEETINGS. Regular meetings of the Board of Directors may be held without notice. Special meetings of the Board of Directors shall be held upon forty-eight (48) hours' notice delivered personally or by electronic mail or telephone, including a voice messaging system, facsimile and electronic mail. If sent by mail, notice shall be deemed delivered upon deposit in the mail. If sent by facsimile or electronic transmission, notice shall be deemed delivered upon confirmation of transmission.

Section 11. WAIVER OF NOTICE AND CONSENT TO HOLDING MEETINGS. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, are as valid as though the meeting had been duly held after proper call and notice, provided a quorum, as hereinafter defined, is present and provided that either before or after the meeting each director not present signs a waiver of notice, a consent to holding the meeting, or an

approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 12. QUORUM FOR MEETINGS. For the transaction of any business except adjournment, a quorum shall consist of the majority of the authorized number of directors. Except as otherwise provided in these bylaws or in the articles of incorporation of this corporation, or by law, no business shall be considered by the Board of Directors at any meeting at which a quorum is not present

Section 13. MAJORITY ACTION AS BOARD ACTION. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors, unless the articles of incorporation or bylaws of this corporation, or provisions of the California Non-Profit Mutual Benefit Corporation Law, particularly those provisions relating to appointment of committees (Section 7212), approval of contracts or transactions in which a director has a material financial interest (Section 7233) and indemnification of directors (Section 7237(e)), require a greater percentage or different voting rules for approval of a matter by the Board of Directors.

#### Section 14. CONDUCT OF MEETINGS.

(a) Meetings of the Board of Directors shall be presided over by the chairperson of the Board of Directors, or, if no such person has been so designated or, in his or her absence, the president of the corporation or, in his or her absence, by the vice president of the corporation or, in the absence of each of these persons, by a chairperson chosen by a majority of the directors present at the meeting. The secretary of the corporation shall act as secretary of all meetings of the Board of Directors, provided that, in his or her absence, the presiding officer shall appoint another person to act as secretary of the meeting.

(b) Meetings shall be governed by such rules as the Board of Directors may adopt or revise from time to time, insofar as such rules are not inconsistent with or in conflict with these bylaws, with the articles of incorporation of the corporation, or with provisions of law.

Section 15. ACTION BY UNANIMOUS WRITTEN CONSENT WITHOUT MEETING. Any action required or permitted to be taken by the Board of Directors under any provision of law may be taken without a meeting, if all members of the Board of Directors shall individually or collectively consent in writing to such action. For the purposes of this Section only, "all members of the Board of Directors" shall not include any "interested director" as described in Section 7233 of the California Non-Profit Mutual Benefit Corporation Law.

#### Section 16. VACANCIES.

(a) A vacancy on the Board of Directors shall be deemed to exist at the occurrence of any of the following:



(i) On the death, resignation, or removal of any director.

(ii) The declaration by resolution of the Board of Directors of a vacancy in the office of a director who has failed to attend at least three (3) consecutive Board of Directors' meetings without an excuse acceptable to the Board of Directors in its reasonable discretion; provided that at least one (1) of such absences shall have occurred after the Board of Directors has provided the absent director with written notice of the possibility of having the director's position be declared vacant if the absent director fails to attend a subsequent Board of Directors' meeting.

(b) Except as provided in this Section, any director may resign, which resignation shall be effective upon receipt of written notice by the chairperson, the president, or the secretary, unless the notice specifies a later effective date for the resignation. No director may resign when the corporation would then be left without a duly elected director or directors in charge of its affairs.

(c) Any director may be removed, without cause: (i) if the corporation then has fewer than fifty (50) Regular Members, by the affirmative vote of the majority of the total number of the corporation's Regular Members at a special meeting of members called for that purpose, or at an annual meeting of members; or (ii) if the corporation then has fifty (50) or more Regular Members, by the affirmative vote of a majority of the Regular Members present at the annual or special meeting of members at which the matter is considered, at which a quorum is present. Any vacancy caused by the removal of a director shall be filled as provided in subsection (d), below.

(d) The Board of Directors shall fill any vacancy caused by death or resignation of a director; provided, that if the Board of Directors fails to fill such a vacancy, the members may fill that vacancy. A vacancy created by the removal of a director under subsection (c), above, shall be filled by the approval of the members.

Section 17. NONLIABILITY OF DIRECTORS OR OFFICERS. The directors shall not be personally liable for the debts, liabilities, or other obligations of the corporation. Further, except for transactions described in Sections 7233 and 7236 of the California Non-Profit Mutual Benefit Corporations Law, or any action or proceeding brought by the California Attorney General, a person who performs his or her duties as a director or officer in accordance with these bylaws shall have no liability based upon any alleged failure to discharge that person's obligations as director or officer, as applicable, including any acts or omissions which exceed or defeat the corporation's public purpose.

Section 18. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS. To the extent that a person who is, or was, a director, officer, employee, or other agent of this corporation has been successful on the merits in defense of any civil, criminal, administrative, or investigative proceeding brought to procure a judgment against such person by reason of the fact that he or she is, or was, an agent of the corporation, or has been successful in defense of any claim, issue, or matter, therein, the corporation shall have the right to indemnify

such person against expenses actually and reasonably incurred by the person in connection with such proceeding.

If such person either settles any such claim or sustains a judgment against him or her, then the corporation shall have the right to indemnify such person against expenses, judgments, fines, settlements, and other amounts reasonably incurred in connection with such proceedings, but only to the extent allowed by, and in accordance with the requirements of, Section 7237 of the California Non-Profit Mutual Benefit Corporation Law.

Section 19. INSURANCE FOR CORPORATE AGENTS. The Board of Directors may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the corporation (including a director, officer, employee, or other agent of the corporation) against any liability other than for violating provisions of law relating to self-dealing (Section 7233 of the California Non-Profit Mutual Benefit Corporation Law) asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of Section 7237 of the California Non-Profit Mutual Benefit Corporation Law.

## ARTICLE V

### OFFICERS

Section 1. OFFICERS. The officers of the corporation shall be a president, a vice president, a secretary, and a treasurer. Any number of offices may be held by the same person except that neither the secretary nor the treasurer may serve as the president or chairperson of the Board of Directors. All officers shall serve without compensation, subject, however, to any agreements between an officer and the board.

Section 2. QUALIFICATION, ELECTION, AND TERM OF OFFICE. The officers shall be selected by the Board of Directors and each shall serve at the pleasure of the Board, subject to the rights, if any, of any officer under contract of employment.

Section 3. SUBORDINATE OFFICERS. The Board of Directors may appoint such other officers or agents as it may deem desirable, and such officers shall serve such terms, have such authority, and perform such duties as may be prescribed from time to time by the Board of Directors.

Section 4. REMOVAL AND RESIGNATION. Any officer may be removed, either with or without cause, by the Board of Directors, at any time. Any officer may resign at any time by giving written notice to the Board of Directors or to the president or secretary of the corporation. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. VACANCIES. Any vacancy caused by the death, resignation, removal, disqualification, or otherwise, of any officer shall be filled by the Board of Directors. In the event of a vacancy in any office other than that of president, such vacancy may be filled temporarily by appointment by the president until such time as the Board of Directors shall fill the vacancy. Vacancies occurring in offices of officers appointed at the discretion of the Board of Directors may or may not be filled as the Board of Directors shall determine.

Section 6. DUTIES OF PRESIDENT. The president shall be a director of the corporation, and is the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, supervise and control the affairs of the corporation and the activities of the officers. He or she shall perform all duties incident to his or her office and such other duties as may be required by law, by the articles of incorporation of this corporation, or by these bylaws, or which may be prescribed from time to time by the Board of Directors. Unless another person is specifically appointed as chairperson of the Board of Directors, he or she shall preside at all meetings of the Board of Directors, except as otherwise expressly provided by law, by the articles of incorporation, or by these bylaws, he or she shall, in the name of the corporation, execute such contracts or other instruments which may from time to time be authorized by the Board of Directors.

Section 7. DUTIES OF VICE PRESIDENT. The vice president must be a director of the corporation. In the absence of the president, or in the event of his or her inability or refusal to act, the vice president shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions on, the president. The vice president shall have other powers and perform such other duties as may be prescribed by law, by the articles of incorporation, or by these bylaws, or as may be prescribed by the Board of Directors.

Section 8. DUTIES OF SECRETARY. The secretary must be a director of the corporation. The secretary, or his or her designee, shall:

(a) Certify and keep at the principal office of the corporation the original or a copy of these bylaws as amended or otherwise altered to date.

(b) Keep at the principal office of the corporation or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the directors, recording therein the time and place of holding, whether regular or special, how called, how notice thereof was given, the names of those present or represented at the meeting, and the proceedings thereof.

(c) See that all notices are duly given in accordance with the provisions of these bylaws or as required by law.

(d) Be custodian of the records.

(e) Exhibit at all reasonable times to any director of the corporation, or to his or her agent or attorney, on request therefor, the bylaws, and the minutes of the proceedings of the directors of the corporation.

(f) In general, perform all duties incident to the office of secretary and such other duties as may be required by law, by the articles of incorporation of this corporation, or by these bylaws, or which may be assigned to him or her from time to time by the Board of Directors.

Section 9. DUTIES OF TREASURER. Subject to the provisions of these bylaws relating to the "Execution of Instruments, Deposits, and Funds," and subject to the direction and control of the Board of Directors, the treasurer, or his or her designee, shall:

(a) Have charge and custody of, and be responsible for, all funds and securities of the corporation, and deposit all such funds in the name of the corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors.

(b) Receive, and give receipt for, monies due and payable to the corporation from any source whatsoever.

(c) Disburse, or cause to be disbursed, the funds of the corporation as may be directed by the Board of Directors, taking proper vouchers for such disbursements.

(d) Keep and maintain adequate and correct accounts of the corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains and losses.

(e) Exhibit at all reasonable times the books of account and financial records to any director of the corporation, or to his or her agent or attorney, on request therefor.

(f) Render to the president and directors, whenever requested, an account of any or all of his or her transactions as treasurer and of the financial condition of the corporation.

(g) Prepare, or cause to be prepared, and certify, or cause to be certified, the financial statements to be included in any required reports, and prepare and file, or cause to be prepared and filed, any state and federal tax returns of the corporation.

(h) In general, perform all duties incident to the office of treasurer and such other duties as may be required by law, by the articles of incorporation of the corporation, or by these bylaws, or which may be assigned to him or her from time to time by the Board of Directors.

## ARTICLE VI

### COMMITTEES

Section 1. COMMITTEES. The Board of Directors may, by action approved resolution ~~adopted~~ by a majority of the directors then in office, or the Board chairman, may designate one or more committees consisting of two or more directors, ~~and only of directors,~~ to serve at the pleasure of the Board; provided, however, that non-directors appointed in accordance with a policy adopted by the Board of Directors may be added as non-voting members to any such

committee. Any member of any committee may be removed, with or without cause, at any time by the Board, by the Board chairman if the Board chairman appointed that member or as otherwise set forth in any policy on committee membership adopted by the Board of Directors. Any committee, to the extent provided in the action resolution of the Board or as the Board chairman may establish, shall have all or a portion of the authority of the Board, or may provide input to the Board on matters within the jurisdiction of that committee as the Board establishes. No committee, regardless of the Board resolution, may fill vacancies on the Board of Directors or on any committee, amend or repeal the articles of incorporation or bylaws or adopt new bylaws, designate any other committee of the Board or appoint the members of any committee, approve any transaction to which the corporation is a party and as to which one or more directors has a material financial interest, or between the corporation and one or more of its directors or between the corporation and any corporation or firm in which one or more of its directors has a material financial interest.

Section 2. MEETINGS AND ACTION OF COMMITTEES. Meetings and action of committees shall be governed by, noticed, held and taken in accordance with the provisions of these bylaws concerning meetings of the Board of Directors, with such changes in the context of such bylaw provisions as are necessary to substitute the committee and its members for the Board of Directors and its members. The time for special meetings of committees may also be fixed by the Board of Directors, or by the committee itself. The Board of Directors, or the committee, may also adopt rules and regulations pertaining to the conduct of meetings of any committee and with respect to the operations of any committee to the extent that such rules and regulations are not inconsistent with the provisions of these bylaws.

## ARTICLE VII

### EXECUTION OF INSTRUMENTS, DEPOSITS AND FUNDS

Section 1. EXECUTION OF INSTRUMENTS. The Board of Directors, except as otherwise provided in these bylaws, may by resolution authorize any officer or agent of the corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances. Unless so authorized, no officer, agent, or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable monetarily for any purpose or in any amount.

Section 2. CHECKS AND NOTES. Except as otherwise specifically determined by resolution of the Board of Directors, or as otherwise required by law, checks, drafts, promissory notes, orders for the payment of money, and other evidence of indebtedness of the corporation shall be signed by the treasurer and countersigned by the president of the corporation, or any other director.

Section 3. DEPOSITS. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

Section 4. GIFTS. The Board of Directors may accept on behalf of the corporation any contribution, gift, bequest, or devise for the public purposes of this corporation.

## ARTICLE VIII

### CORPORATE RECORDS AND REPORTS

Section 1. MAINTENANCE OF CORPORATE RECORDS. The corporation shall keep at its principal office in the State of California:

(a) Minutes of all meetings of directors and committees of the Board of Directors, indicating the time and place of holding such meetings, whether regular or special, how called, the notice given, and the names of those present and the proceedings thereof;

(b) Adequate and correct books and records of account, including accounts of its properties and business transactions and accounts of its assets, liabilities, receipts, disbursements, gains and losses; and

(c) A copy of the corporation's articles of incorporation and bylaws as amended to date, which shall be open to inspection as set out in these bylaws.

Section 2. DIRECTORS' INSPECTION RIGHTS. Every director shall have the absolute right at any reasonable time during normal business hours to inspect and copy all books, records, and documents of every kind and to inspect the physical properties of the corporation.

Section 3. RIGHT TO COPY AND MAKE EXTRACTS. Any inspection under the provisions of this Article may be made in person or by agent or attorney and the right to inspection includes the right to copy and make extracts.

Section 4. ANNUAL REPORT. If the Association receives more than Ten Thousand Dollars in gross revenues or receipts during a fiscal year, the Board of Directors shall cause an annual report to be prepared not later than one hundred and twenty (120) days after the close of the Association's fiscal year. The Association shall notify each member each year of the member's right to receive the annual report to be prepared pursuant to this section. The annual report shall be provided to all directors of the Association and to any member who requests it in writing, which report shall contain the following information in appropriate detail:

(a) A balance sheet as of the end of the fiscal year, and an income statement and statement of cash flows for the fiscal year;

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

(c) Any information required by Section 6 of this Article.

The annual report shall be accompanied by any report thereon of independent accountants, or, if there is no such report, the certificate of an authorized officer of the Association that such statements were prepared without audit from the books and records of the Association.

Section 5. ANNUAL STATEMENT OF SPECIFIC TRANSACTIONS. As part of the Association's annual report, the Association shall mail, deliver or send by electronic transmission to its members and all directors a statement within one hundred and twenty (120) days after the close of its fiscal year:

(a) Unless approved by members under Corporations Code Section 7233(a), any transaction (i) with the Association or any subsidiary of the Association, (ii) which involved more than \$50,000 or was one of a number of such transactions with the same person involving, in the aggregate, more than \$50,000, and (iii) in which either of the following interested persons had a direct or indirect material financial interest (a mere common directorship shall not be considered a material financial interest):

(A) Any director or officer of the Association or any subsidiary of the Association; or

(B) Any holder of more than ten percent (10%) of the voting power of the Association, or any subsidiary of the Association.

Any statement required by this section shall briefly describe the transaction, the names of the interested persons involved in such transactions, each person's relationship to the corporation, the nature of such person's interest in the transaction and, where practical, the amount of such interest, provided that in the case of a transaction with a partnership of which such person is a partner, only the interest of the partnership need be stated.

(b) A brief description of the amounts and circumstances of any loans, guarantees, indemnifications, or advances aggregating more than Ten Thousand Dollars (\$10,000) paid during the prior fiscal year to any director or officer, except that no such statement need be made if such loan, guaranty, indemnification or advance was approved by the members under Corporations Code Section 5034, or the loan or guaranty is not subject to Corporations Code Section 7235(a).

## ARTICLE IX

### AMENDMENT OF BYLAWS OR ARTICLES

Section 1. AMENDMENT OF BYLAWS. Subject to these bylaws or any provision of law applicable to the amendment of bylaws in the Non-Profit Mutual Benefit Corporation Law, these bylaws, or any of them, may be altered, amended, or repealed and new bylaws may be adopted or approved by the Board of Directors.

Section 2. CERTAIN AMENDMENTS. Notwithstanding Section 1 of this Article, the bylaws may only be amended by the approval of the members if any such amendment would:

- (a) Materially and adversely affect the rights of members as to voting, dissolution, redemption or transfer;
- (b) Increase or decrease the number of members authorized in total or for any class;
- (c) Effect a change, reclassification or cancellation of all or part of the memberships;
- (e) Authorize a new class of membership;
- (f) Change the number of directors from a variable number to a fixed number;
- (g) Increase the length of directors' terms;
- (h) Authorize the Board of Directors to fill vacancies created by the removal of directors;
- (i) Change the number of memberships necessary for a quorum at membership meetings;
- (j) Change proxy rights;
- (k) Change to cumulative voting; or
- (l) Otherwise be specified in these bylaws or required under applicable law.

## ARTICLE X

### PROHIBITION AGAINST SHARING CORPORATE PROFITS AND ASSETS

Section 1. PROHIBITION AGAINST SHARING CORPORATE PROFITS AND ASSETS. No director, officer, employee, or other person connected with this corporation, or any private individual, shall receive at any time any of the net earnings or pecuniary profit from the operations of the corporation, provided, however, that this provision shall not prevent payment to any such person of reasonable compensation for services performed for the corporation in effecting its public purpose, provided that such compensation is otherwise permitted by these bylaws and is fixed by resolution of the Board of Directors; and no such person or persons shall be entitled to share in the distribution of, and shall not receive, any of the corporate assets on dissolution of the corporation. On dissolution of this corporation, the Board of Directors shall cause the assets herein to be distributed to another corporation with purposes similar to those identified in the Articles of Incorporation.

Section 2. PROHIBITION AGAINST LOANS OR GUARANTEES. The corporation



shall not lend any money or property to nor guarantee the obligation of any director or officer.

Section 3. PROHIBITION AGAINST SELF-DEALING. The Board of Directors shall not cause the corporation to enter, directly or indirectly, into any contract or transaction with any director of this corporation or with any corporation, firm, association, or other entity in which one or more directors of this corporation has a material financial interest or in which one or more directors of this corporation are otherwise involved, unless all of the following apply:

(a) the material facts regarding the financial interest of such director(s) in the contract or transaction or the involvement or financial interest of such director(s) in the other corporation, firm, association are fully disclosed in good faith and noted in the minutes, or are known to all directors of the Board of Directors prior to the Board of Director's consideration of such contract or transaction;

(b) before authorizing or approving the transaction, the Board of Directors considers and in good faith decides after reasonable investigation that the corporation could not obtain a more advantageous arrangement with reasonable effort under the circumstances;

(c) a majority of the Board of Directors by a vote sufficient for that purpose, without counting the votes of the interested directors, authorizes or approves the contract or transaction in good faith; and

(d) the transaction is in fact fair and reasonable to the corporation at the time of its entry and the transaction is entered into for the corporation's benefit.

**SECRETARY'S CERTIFICATE OF ADOPTION OF BYLAWS**

I hereby certify that I am the Secretary of the California Association of Mutual Water Companies, a California Non-Profit Mutual Benefit Corporation, and that the foregoing Bylaws were adopted and constitute the Bylaws of said corporation effective \_\_\_\_\_, 2013.

IN WITNESS WHEREOF, I have hereunto subscribed my name this \_\_\_\_ day of \_\_\_\_\_, 2013.

By: \_\_\_\_\_  
Secretary

## **EXHIBIT A**

### **INITIAL DIRECTORS**

Philip "Flip" Boerman

Ken Bradbury

Jim Byerrum

Bob Hayward

Dave Michalko

Blanche Vizzini

Lisa Yamashita-Lopez