

BYLAWS
OF
A.F.P. MUTUAL WATER COMPANY

ARTICLE I

OWNERSHIP & PURPOSE

Section 1. The A.F.P. Mutual Water Company is a Corporation that is wholly and equally owned by its shareholders.

Section 2. The purpose of the Corporation is to render the service of procuring, developing, distributing, supplying and delivering water for domestic use to its shareholders at actual costs, plus necessary expenses, and to fulfil all other duties as described in the Articles of Incorporation.

ARTICLE II

USE OF WATER

Section 1. The water of the Corporation shall only be sold, distributed, supplied or delivered to the shareholders of the Corporation at actual costs plus necessary expenses. In the event water is not produced by the Corporation in sufficient quantities to supply the total demand of the shareholders and water use must be restricted, it shall be proportioned equally to all metered shareholders who at that time require water.

Section 2. The Corporation shall not sell or dispose of water in any way except for use upon the property described in its Articles of Incorporation. It shall not have the power or be made liable to extend any of its water mains or water distribution system or parts thereof out of or beyond the boundaries of the land described in the Articles of Incorporation.

Section 3. The Board of Directors may adopt rules and regulations providing for the delivery and distribution of water. The rules and regulations shall have the same force and effect as if incorporated in and made a part of these bylaws.

Section 4. If any shareholder(s) shall refuse or fail to pay the water charges or expenses, including assessments, as fixed and established by the Board of Directors, the Corporation shall disconnect the distribution system from the land of said shareholder(s). The Corporation shall not furnish water to said land or to said shareholder(s) or to their successors until said charges in default and the expenses of disconnection and reconnection and the expenses incurred in the collection of the sums due the Corporation have been paid.

Section 5. All tampering with A.F.P. Mutual Water Company's property or unauthorized use of water is subject to a penalty of \$500.00 for the first offense and \$1,000.00 for each subsequent offense, plus double the estimated cost of water usage, any attorney fees and all expenses incurred in collecting these fees. In addition, a lien will be placed upon the Capital Water Stock appurtenant to the property if the fees and penalties are not paid within 30 days from the date of notification.

ARTICLE III

SHARES OF STOCK

Section 1. Capital Water Stock Certificates of this Corporation shall be provided by the Board of Directors and shall comply with all applicable provisions of the Corporation Code of the State of California. The shares of Capital Water Stock are appurtenant to the land as described in the Articles of Incorporation. Each Capital Water Stock Certificate shall be for one share of Capital Water Stock and shall express on its face its number, date of issuance, the person(s) to whom it is issued, the particular description of the land to which the share is appurtenant, and that that said share is assessable. See Appendix A.

Section 2. Shares of Capital Water Stock shall be transferred upon sale or transfer of the land to which they are appurtenant to the new owner(s) of the land by the Secretary of the Corporation subject to the restrictions discussed in Section 3 below.

Section 3. The Corporation shall have a lien on its shares of Capital Water Stock for delinquent:

- A. Assessments levied thereon including costs of collection.
- B. Charges for water furnished to the shareholder(s) including costs of collection.

The Corporation shall provide for the enforcement of such liens and shall not be required to transfer said shares on its books or to furnish water on account of said shares to said shareholder(s) until said assessments and charges, including costs of collection, shall be paid.

ARTICLE IV

CORPORATE POWERS & OFFICE

Section 1. The corporate powers, business and property of this Corporation shall be vested in and exercised, conducted and controlled by a Board of Directors, who shall be shareholders of the Corporation and elected by the shareholders. The number of Directors shall be four.

Section 2. The Corporation shall:

- A. Maintain an office in Kern County, California, where their records and books shall be kept. The records and books of the Corporation shall be open to review by any shareholder of the Corporation at the Corporation office by appointment.
- B. Be required to maintain a \$1,000,000 Commercial General Liability Insurance Policy covering the Board of Directors and all employees of the Corporation.
- C. Be required to follow all Federal, State and Local mandates for water quality for the water that is provided to its customers.
- D. Have a seal as shown in Appendix B.

ARTICLE V

ELECTION AND RECALL OF DIRECTORS

Section 1. Nominations for the Board of Directors shall be received at the regular Board of Directors meeting in January of every year and may be received in writing at the Corporation office until January 31 of every year. No nominations will be accepted after January 31.

Section 2. All nominations for the Board of Directors shall be seconded by a shareholder.

Section 3. Shareholders shall be notified by mail of their right to nominate as set forth in Section 1 of this Article by December 15.

Section 4. The Directors shall be elected annually by the shareholders at the Annual Meeting of Shareholders. If the number of people nominated does not exceed the number of positions vacant, then the people nominated will be deemed elected and no elections will be held at the Annual Meeting of Shareholders. If the Annual Meeting of Shareholders is not held because of a lack of a quorum and the number of people nominated exceeds the positions vacant, the current Board of Directors shall continue to serve until such time that a duly called Meeting of Shareholders can be held.

Section 5. Votes for Directors by proxies that are not designated must be divided equally among all candidates.

Section 6. Each Director's term of office shall be two years. Elections shall be staggered so that two offices become vacant in even years and the other offices become vacant in

odd years. Each term of office shall begin immediately after the election and shall continue until successors are elected.

Section 7. Directors may be recalled by a majority vote of the shareholders voting at any Annual Meeting of Shareholders or Special Meeting of Shareholders called for that purpose as provided in Article VIII, Section 2.

ARTICLE VI

POWERS AND DUTIES OF DIRECTORS

Section 1. The Board of Directors shall:

- A. Annually elect the officers of the Corporation within 24 hours following the Annual Meeting of Shareholders in March.
- B. Appoint replacements for any vacancies that occur on the Board of Directors to serve until the next Annual Meeting of Shareholders.

Section 2. The Board of Directors shall have power to:

- A. Hire, fire, appoint and remove all the agents and employees of the Corporation, prescribe such duties for them as may be consistent with these bylaws, The Articles of Incorporation and the laws of the State of California, fix their compensation and require from them faithful service.
- B. Conduct, manage and control the affairs and business of the Corporation, and make rules and regulations for the distribution of water consistent with these bylaws, the Articles of Incorporation and the laws of the State of California.
- C. Establish the rates and charges for which water shall be furnished to the shareholders. Said rates and charges shall not impair or limit the right of the Board of Directors to levy assessments on the Capital Water Stock of the Corporation.
- D. Establish, levy and collect assessments on the subscribed Capital Water Stock of the Corporation in the manner and form and to the extent permitted by the laws of the State of California.
- E. Borrow money and incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, deeds of trust, mortgages, pledges, hypothecation and other evidences of debt, and securities therefor.

F. Designate the officers and agents of the Corporation who shall have power in the name of the Corporation and on its behalf to sign and execute deeds, conveyances, mortgages, leases, promissory notes, checks, bills of exchange contracts, obligations, certificates and other paper and instruments in writing.

ARTICLE VII

OFFICERS

Section 1. The officers of the Corporation shall consist of a President, Vice President, Secretary and Treasurer who shall be Directors of the Corporation.

Section 2. The powers and duties of the Secretary and Treasurer may at the direction of the Board of Directors be exercised and performed by the same person.

Section 3. The officers and Directors are to be volunteers and shall not be paid for their services but shall be reimbursed for any expenses incurred as approved and authorized by the Board of Directors.

Section 4. If the President and Vice President are not present at any meeting of the Board of Directors, or of the shareholders, a President pro tem may be chosen to preside at such meeting.

Section 5. The powers and duties of the President are:

- A. To preside at all regular and special meetings of the shareholders and of the Board of Directors.
- B. To call special meetings of the shareholders and of the Board of Directors at such time as he shall deem proper.
- C. To supervise and control, subject to the direction of the Board of Directors, all the business, agents and employees of the Corporation.
- D. To perform all other duties as pertain to his office and as may be required by the Board of Directors.

Section 6. The powers and duties of the Vice President are:

- A. To take the place of the President and to perform all of his duties in case of his absence or disability.
- B. To perform all other duties as pertain to his office and as may be required by the Board of Directors.

Section 7. The powers and duties of the Secretary are:

- A. To keep a full and complete record of the meetings of the Board of Directors and of the meetings of the shareholders.
- B. To keep the seal of the Corporation and to affix the same to all instruments executed by the President or other officers of the Corporation by authority of the Board of Directors which may require it.
- C. To keep proper Capital Water Stock Certificate Owner/Transfer Files showing the shares issued to and transferred by any shareholder and the dates of issuance and transfer.
- D. To record in the Capital Water Stock Certificate Owner/Transfer Files the transfer of ownership of Capital Water Stock shares. To void Capital Water Stock Certificates presented for transfer. To issue new Capital Water Stock Certificates to the new owner(s) of the land to which the shares are appurtenant upon presentation of proper proof of sale or transfer of the land. These provisions are subject to the restrictions of Article III, Section 3. No Capital Water Stock Certificate shall be issued, or if issued, shall have no validity until it has been signed by the President and Secretary of the Corporation.
- E. To keep all records of the Corporation including inventory, equipment, assets, liabilities and the names and places of residence of its shareholders.
- F. To post or publish and keep a record of all notices that may be required by law, the Articles of Incorporation or these bylaws. Notices required to be published in a newspaper shall be published in a local Kern County newspaper.
- G. To file a copy of its Articles of Incorporation certified by the Secretary of the State of California, in Kern County, California. To file such other papers and copies of papers as may be required by law for the protection of its property and corporate rights.
- H. To prepare and keep a record of all of the corporate reports of the Corporation.

I. To perform all other duties as pertain to his office and as may be required by the Board of Directors.

Section 8. The powers and duties of the Treasurer are:

A. To safely keep all the money of the Corporation and deposit the same to the credit of the Corporation in such depositories as may be designated by the Board of Directors. To pay out said moneys upon the order of the Board of Directors and to receive proper receipts for all disbursements.

B. To audit at the close of each calendar month the account or accounts of the Corporation with any bank or other depository with which the Corporation shall carry any account, and to file in the office of the Corporation the statements received from such bank or other depository together with an account of all disbursements and all receipts therefor.

C. To keep in proper order all the financial records of the Corporation.

D. To prepare and to present at each regular meeting of the Board of Directors or shareholders a financial report.

E. To prepare a fiscal year-end financial report.

F. To prepare an annual budget.

G. To prepare all of the required tax reports of the Corporation.

H. To perform all other duties as pertain to his office and as may be required by the Board of Directors.

ARTICLE VIII

MEETINGS OF SHAREHOLDERS

Section 1. There shall be an Annual Meeting of Shareholders which shall be held in Kern County, California, in March at a place and time to be determined by the Board of Directors. Any business which might be done at the Annual Meeting of Shareholders may be done at a Special Meeting of Shareholders or at an adjourned meeting. Such meeting may be adjourned by those present from day to day or from time to time. Such adjournment and the reason therefor shall be recorded in the minutes of said meeting.

Section 2. A Special Meeting of Shareholders may be called at any time by the President. The President shall call a Special Meeting of Shareholders at any time upon the written request of a majority of the Board of Directors or of shareholders holding 1/3 of the subscribed stock stating the purpose for which they wish the meeting called.

Section 3. Notice of Meetings of Shareholders shall be given by the Secretary by mail, not less than 10 business days and not more than 15 business days prior to the date of the meeting, addressed to each shareholder at his address as it appears on the books of the Corporation. These notices shall state the place, time and purpose of the meeting. Proxies and ballots shall be included with all notices of meetings in which a vote shall be taken and shall be good for that meeting only.

Section 4. For voting purposes the owner(s) of each share of Capital Water Stock is entitled to one vote either in person, by ballot, by written proxy or by a duly authorized representative.

Section 5. All votes at Meetings of Shareholders shall be by ballot. The presence in person, by ballot, by written proxy or by a duly authorized representative of the holders of twenty per cent (20%) of the shares entitled to vote at any Meeting of Shareholders shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment. At a meeting where a quorum was originally present, if shareholders withdraw in such numbers as to leave less than a quorum, the remaining shareholders may continue to do business, but no action (other than adjournment) may be taken unless it is approved by a majority of the shares necessary to constitute a quorum. All said votes shall be decided by a majority of the shares of Capital Water Stock of the Corporation voting at said meetings.

Section 6. Robert's Rules of Order shall be used to conduct the Meetings of Shareholders.

ARTICLE IX

BOARD OF DIRECTORS MEETINGS

Section 1. The Board of Directors shall meet bi-monthly in Kern County, California, in odd months at a place and time to be determined by the Board of Directors.

Section 2. Special Board of Directors Meetings may be called at any time by the President. The President shall call Special Board of Directors Meetings upon the written

request of a majority of the Directors. Notice of said meeting must be given to each member of the Board of Directors prior to the meeting.

Section 3. Notice of all regular Board of Directors Meetings shall be posted in places designated by the Board of Directors at least 7 days prior to each meeting and shall include the place and time of the meeting. These notices shall be mailed to all water users in the bi-monthly billings. Information concerning the place and time of regular Board of Directors Meetings and the agenda for the meeting shall be available at the Corporation office at least 7 days prior to the meeting.

Section 4. A majority of the Directors shall constitute a quorum and a majority of the quorum shall be authorized to act for the Corporation. Any meeting of the Board of Directors may be adjourned or recessed from day to day or from time to time by the vote of a majority of Directors present.

Section 5. All Directors meetings shall be open to all shareholders of the Corporation except for executive sessions which may be called.

Section 6. Shareholders may participate in discussions at all Directors meetings, but may not make motions or vote.

Section 7. Robert's Rules of Order shall be used to conduct the Board of Directors Meetings.

ARTICLE X

AMENDMENT OF BYLAWS

Section 1. These bylaws may be repealed or amended or new bylaws may be adopted at an Annual Meeting of Shareholders or at any other meeting of the shareholders called for that purpose by a vote representing two-thirds (2/3) of the interest of the shareholders present including ballots, proxies and duly authorized representatives. New bylaws or amendments to the bylaws shall conform with all State and Federal laws and regulations that may be applicable.

Section 2. Whenever any amendment is made or new bylaws are adopted, they must be copied in the Book of Bylaws with the original bylaws and immediately after them. If any bylaw is repealed, the fact of repeal with the date of meeting at which the repeal was enacted must be stated in the margin of the page of the Book of Bylaws where the bylaw appears.

Appendix A

A new Capital Water Stock Certificate will be prepared to conform to these new bylaws and will be mailed to you to attach to this copy of the bylaws as Appendix A, Page 10, after these bylaws are adopted.

Appendix B

A copy of the Seal of the Corporation