

BYLAWS

for the regulation, except as  
otherwise provided by statute  
or its Articles of Incorporation,  
of

PALOMAR MOUNTAIN MUTUAL WATER CO., INC.,

a California nonprofit mutual benefit corporation.

As amended May 13, 2000,  
2/1992,  
and completely revised 12/20/1988

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## **ARTICLE I. DIRECTORS**

### Corporate Powers

SECTION 1.1. Subject to the limitations of these Bylaws, all corporate power of the Corporation shall be exercised by or under the authority of the Board of Directors, and the Board shall control the property and conduct the affairs of the Corporation with, but not limited to, the following specific powers:

- (a) Call special meetings of the members whenever deemed necessary.
- (b) Elect from its own number a President and a Vice President.
- (c) Appoint and remove at pleasure all other officers, agents and employees of the Corporation; prescribe their duties; fix their compensation; and may require from them bonds, paid for by the Corporation, conditioned for the faithful performance of their duties.
  - (d) Exercise supervisory control and management over the development, distribution and supplying of water, and extension of pipe lines, and, subject to approval by the members, make any and all necessary rules and regulations in connection therewith.
  - (e) Conduct, manage and control the affairs and business of the Corporation, and make requirements and regulations not inconsistent with the laws of the State of California and the County of San Diego, or these Bylaws, for the guidance of the officers and management of the affairs of the Corporation.
- (f) Incur indebtedness, up to fifty thousand dollars (\$50,000.00).

### Duties of the Board of Directors

SECTION 1.2. The duties of the Board of Directors shall include, without limitation, the following:

- (a) Cause to be kept a complete record of all meetings and acts of the Board of Directors, and of the proceedings of the members, and present an annual report at the regular annual meeting of the members, showing in detail the assets and liabilities of the Corporation, and generally the condition of its affairs.
  - (b) Make such reasonable rules and regulations for the service of water by the Corporation to its members, which rules and regulations, when duly passed and entered in the minutes, and approved by the members, shall be binding and conclusive upon all members.
  - (c) Provide penalties for failure to abide by these Bylaws or regulations or rules of the Board of Directors.
  - (d) Supervise all officers, agents and employees of the Corporation, and see that their duties are properly performed.

(e) If desired, designate a person, other than the Treasurer of the Corporation, to collect all charges for water service furnished to members, and to make settlement with the Treasurer as required by the Board of Directors.

(f) Cause membership certificates to be issued to members, which certificates shall describe the real property, and specify the number of water service units, to which the certificate is appurtenant, in accordance with provisions of the Articles of Incorporation.

Number

SECTION 1.3. As provided in Article V of the Articles of Incorporation of the Corporation, the Corporation shall have seven (7) directors, and collectively they shall be known as the Board of Directors.

Qualifications

SECTION 1.4. Effective October 1, 1991, each member in good standing of the Corporation, who has not served as a Director of the Corporation within the last eleven (11) months preceding election, is qualified to be a Director of the Corporation.

Terms of Office

SECTION 1.5. Effective October 1, 1991, The term of office for a Director shall commence immediately after the meeting at which the Director was elected, and shall be for a period of three (3) years, or until the Director's successor is elected.

Election of Directors

SECTION 1.6. Directors shall be elected at the annual meeting of the members, for those offices of director which are vacant or the terms of which are expiring. There shall be available to the members of the Corporation reasonable nomination and election procedures, including a reasonable means of nominating persons for election as directors, a reasonable opportunity for all nominees to solicit votes and to communicate to the members the nominee's qualifications and reasons for the nominee's candidacy, and a reasonable opportunity for all members to choose among the nominees.

Compensation

SECTION 1.7. Directors shall serve without compensation.

Meetings

SECTION 1.8. The annual meeting of the Board of Directors shall be held, without call or notice, immediately following the annual meeting of the members of the Corporation. Other meetings of the Board shall normally be held monthly at such place, and on such day and hour, as the Board shall fix. Special meetings of the Board may be called by the President or any three (3) Directors. All meetings of the Board, other than the annual meeting, shall be held on seventy-two (72)

hours' notice by first class mail, postage prepaid, or on twenty-four (24) hours' notice delivered personally or by telephone.

Quorum and Voting

SECTION 1.9. At least five (5) Directors shall constitute a quorum of the Board of Directors for the transaction of business, and 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; provided, however, that any meeting at which a quorum was initially present may continue to transact business notwithstanding the withdrawal of any Directors if any action taken is approved by at least a majority of the Board.

Conduct of Meetings

SECTION 1.10. The President of the Corporation or, in the President's absence, the Vice President of the Corporation or, in the absence of both, any Director selected by the Directors present, shall preside at meetings of the Board of Directors. The Secretary of the Corporation or, in the Secretary's absence, any person appointed by the presiding officer, shall act as Secretary of the Board.

Vacancies

SECTION 1.11. Vacancies in the Board of Directors may be filled by a majority vote of the remaining Directors. The Board may declare vacant the position of a Director who is absent for four (4) consecutive regular Board meetings without prior authorization from the Board. A Director appointed to fill a vacancy shall hold office until the expiration of the term of the predecessor.

**ARTICLE II. OFFICERS**

Number and Titles

SECTION 2.1. The officers of the Corporation shall be a President, Vice President, Secretary, and Treasurer (Chief Financial Officer). The offices of Secretary and Treasurer may be held by the same person.

Appointment and Tenure

SECTION 2.2. The officers of the Corporation shall be appointed by the Board of Directors at its annual meeting, and shall hold office until a successor has been elected.

Compensation

SECTION 2.3. The officers of the Corporation shall serve without compensation.

President

SECTION 2.4. The President of the Corporation shall:

- (a) Preside over all meetings of the members and of the Board of Directors.

- (b) Sign, as President, all membership certificates, and all contracts and other written instruments which have been approved by the Board of Directors, and countersign all checks and drafts drawn by the Treasurer of the Corporation.
- (c) Be recognized as the official head of the Corporation, and shall have such powers as generally pertain to the office of President, together with such other powers as may be conferred upon that office by the Board of Directors.

Vice President

SECTION 2.5. The Vice President of the Corporation shall assume the duties of the President whenever the latter is absent, or is unable or refuses to act. If both the President and Vice President are absent, or are unable or refuse to act, the Board of Directors shall appoint a Director to serve as President Pro Tern of the Corporation.

Secretary

SECTION 2.6. The Secretary of the Corporation shall:

- (a) Keep a record of the meetings of the members and of the Board of Directors.
- (b) Serve all notices in accordance with the provisions of these Bylaws or as required by law. In the Secretary's absence, or inability, refusal or neglect to do so, such notices may be served by any person so directed by the President of the Corporation.
- (c) Have custody of the Corporate seal of the Corporation, and affix it in all appropriate cases to all Corporate instruments. Failure to affix the seal shall not, however, affect the validity of any instrument.
- (d) Countersign all checks and drafts drawn by the Treasurer of the Corporation, and keep proper books of account.
- (e) Have custody of all other Corporate records.
- (f) Have custody of the book of blank membership certificates.
- (g) Issue membership certificates, as prescribed in these Bylaws.
- (h) Keep and maintain membership certificate ledgers, in debit and credit form, and transfer books, showing the number of membership certificates issued to, and transferred by, members, the legal description of the property and the number of water service units to which the membership certificate is made appurtenant, the dates of such issuance and transfer, and the name and address of each member of the Corporation.
- (i) In general perform such other duties as pertain to the office of Secretary and as may be prescribed by the Board of Directors.

Treasurer

SECTION 2.7. The Treasurer of the Corporation shall:

- (a) Have charge and custody of, and be responsible for, all funds and receipts, and securities, of the Corporation, and deposit all such funds and receipts in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by the Board of Directors.
- (b) Issue duplicate receipts for all charges collected for water service furnished members, and deliver one copy to the Secretary and the other to the Operations Manager.
- (c) Draw all checks and drafts on funds of the Corporation for signature of the Corporation's Secretary, and countersignature of the President or other Director authorized by the Board of Directors.
- (d) Present such financial accountings and reports, as may be directed by the Board of Directors.
- (e) In general perform such other duties as pertain to the office of Treasurer and as may be prescribed by the Board of Directors.

**ARTICLE III. OPERATIONS MANAGER**

Appointment and Tenure

SECTION 3.1. The Corporation shall have an Operations Manager, who shall be appointed by, and serve at the pleasure of, the Board of Directors.

Duties

SECTION 3.2. The Operations Manager of the Corporation shall:

- (a) Be in charge of the Corporation's water pumping operations, and water storage and distribution systems.
- (b) See to full compliance with all rules and regulations of the Corporation pertaining to the delivery of water.
- (c) Keep a record of the water operations of the Corporation.
- (d) Perform such other services, and make such reports, as the Board of Directors may require.

Compensation

SECTION 3.3. The compensation of the Operations Manager shall be fixed by the Board of Directors.



## ARTICLE IV. MEMBERSHIP

### Classification of Members

SECTION 4.1. The Corporation shall have one class of members, and each membership shall have equal voting and other rights. A "member" of the Corporation is defined as any person who owns a membership certificate appurtenant to at least one (1) water service unit, as shown on the Corporation's records. A member owning more than one water service unit shall hold a separate membership for each such water service unit, and shall be entitled to as many votes as the member holds memberships. The "voting power" of the members consists of all of the memberships in the Corporation.

### Eligibility for Membership

SECTION 4.2. Except as otherwise provided in these Bylaws, any person owning a legal interest in any real property located within the Corporation's service area on Palomar Mountain, in the County of San Diego, State of California, is entitled to membership in the Corporation. Two (2) or more persons may have indivisible interests in a membership. However, multiple owners of a membership such as trusts, family trusts, corporations, partnerships, government associations, and other associations shall designate a person to represent their interests, with full membership privileges.

### Admission to Membership

SECTION 4.3. A person shall be admitted to membership in the Corporation, or shall obtain additional membership(s), in one (1) of the following two (2) ways:

- (a) On the acceptance by the Board of Directors of an application submitted by such person (Section 4.4); or
- (b) On transfer to such person of at least one (1) water service unit of a member (Section 4.5).

### Application for Membership

SECTION 4.4. A person entitled to membership desiring one (1) or more memberships in the Corporation shall submit an application to the Board of Directors, in such form and in such manner as shall be prescribed by the Board.

(a) Except as provided in Subsection (f) of this Section, an application for membership shall not be accepted by the Board of Directors without the affirmative vote or written assent of two-thirds (2/3) of the membership.

(b) An application for membership shall be accompanied by the payment to the Corporation, for each membership requested by the applicant, of twenty-five dollars (\$25), plus a membership fee in a sum equal to five thousand dollars (\$5,000) as adjusted since July 1988 by the annual compounding of the inflator/deflator factor, as shown in the July consumer price index or comparable data for the San Diego area. If the

application is not accepted by the Board of Directors, the membership fee shall be refunded to the applicant without interest.

- (c) An application for membership shall not be accepted by the Board of Directors unless the Corporation has a permit to issue securities from the California Corporations Commissioner. The applicant shall pay the applicant's proportionate cost of applying for and obtaining a permit.
- (d) The Board of Directors may require, as a condition of its acceptance of an application for membership, that the applicant submit a current Certificate of Compliance issued by the County of San Diego, certifying that the real property which is the subject of the application has a number of buildable lots ("water service units") at least equal to the number of memberships being sought by the applicant.
- ((e) The Board of Directors shall require, as a condition of its acceptance of an application for membership, that the applicant grant to the Corporation perpetual easements and rights-of-way, for water pipeline purposes in, upon, over, under, along and across:
  - 1. All roads and road easements, improved or unimproved, and
  - 2. A strip or strips of land lying five feet (5'), more or less, on each side of the centerline of all existing water lines, located on the real property which is the subject of the application. All such easements and rights-of-way required under this Section shall include the right to locate, construct, maintain, patrol, clean, repair, alter, change the size of, improve, reconstruct, replace, renew, relocate and remove subsurface water pipeline or pipelines, and all other appliances, fixtures and appurtenances for use in connection therewith, and to temporarily store excavated material and construction equipment, and at all times, to use and operate said pipelines, appliances, fixtures and appurtenances.
- ((f) In those cases where the Corporation is seeking to acquire a property interest that would result in a substantial benefit to the Corporation and a substantial betterment of the Corporation's water system, including, but not limited to, an easement, right-of-way, reservoir site, well site, pump site, or water rights, the membership fee shall be one-third (1/3) of that provided in Subsection (b) of this Section, and there shall be approval by a majority of the Board of Directors and concurrence by a majority of the membership except as required under Subsection (a) of this Section when the total number of memberships issued by the Corporation is more than three hundred three (303). Substantial benefit is defined as one or more of the following:

1. Provide additional water to the system.
  2. Reduce costs of the system per member.
  3. Result in improvement of the system.
- (g) Upon acceptance of the application by the Board of Directors, the applicant shall pay to the Corporation the annual dues for the then current year, and an assessment fee in a sum equal to the then current annual assessment for each membership obtained by the applicant.
- (h) Upon satisfying the requirements of Subsection (g) of this Section, the applicant shall become a member of the Corporation upon issuance of a membership certificate to the applicant.

#### Transfer of Water Service Units

SECTION 4.5. Upon transfer of one (1) or more water service units to which a membership certificate is appurtenant, the transferee shall present to the Secretary a duly recorded copy of the deed, court order or other appropriate transfer documents, along with payment of (a) twenty-five dollars (\$25) for each water service unit transferred, (b) the annual dues for the then current year, (c) a certificate transfer fee in an amount established by the Board of Directors, and (d) all other dues, assessments and charges which may be due in connection with the transferred water service unit(s). The transferee shall become a member of the Corporation upon issuance of a membership certificate to the transferee.

#### Annual Dues

SECTION 4.6. The annual dues payable to the Corporation by each member, regardless of the number of memberships owned by the member, and regardless of whether the member is receiving water service, shall be levied in such amount per member as shall be established by the Board of Directors. Dues payable for the then current year are due on the first day of January, and shall be delinquent if not paid on or before the following first day of February.

#### Annual Assessment

SECTION 4.7. The annual assessment (fixed costs charge) payable to the Corporation by each member, based upon the number of memberships owned by the member, and regardless of whether the member is receiving water service, shall be levied in such amount per membership as shall be established by the Board of Directors. The assessment payable for the then current year is due on the first day of January, and shall be delinquent if not paid on or before the following first day of February.

#### Special Assessments

SECTION 4.8. Memberships shall be subject to special assessments for litigation expenses, and damages if any, in actions filed against the Corporation. The amount of each levy and the method of collection shall be fixed from time to time

by the resolution of the Board of Directors. Assessments shall be made payable at such times or intervals, and on such notice, as the Board shall prescribe. Any member, on learning of an assessment, may avoid liability for it by promptly resigning from membership, providing that the member is not otherwise liable for the assessment by contract or otherwise.

Annual Meter Charge

SECTION 4.9. The annual meter charge (customer demand charge) payable to the Corporation by each member, based upon the number of water meters pertaining to the member's membership(s), regardless of water use, shall be levied in such amount per meter as shall be established by the Board of Directors. The meter charge payable for the then current year is due on the first day of January, and shall be delinquent if not paid on or before the following first day of February.

Water Rates, and Other Fees, Charges and Assessments

SECTION 4.10. The Board of Directors shall establish water rates (commodity charge), and such other fees, charges and assessments as it deems appropriate. All such rates, fees, charges and assessments are due when billed, and shall be delinquent if not paid within thirty (30) days.

Annual Rate List

SECTION 4.11. The Board of Directors shall cause to be issued, in January of each year, a schedule showing a rate list, which shall specify the amounts established by the Board pursuant to these Bylaws.

Delinquent Accounts

SECTION 4.12. If a membership in the Corporation becomes delinquent in the payment of any amounts due and payable to the Corporation, a ten percent (10%) penalty shall be added to the delinquent amount. The Board of Directors may deny the right to receive water service thereon until all such amounts have been paid in full. The Board may also initiate procedures under Section 4.13 of these Bylaws. In addition, the Corporation may sue the delinquent member to collect all such amounts, including all accrued penalties, interest, costs, and such reasonable attorney's fees as may be fixed by the court.

Expulsion of Members: Termination of Memberships

SECTION 4.13. A member may be expelled, and/or membership(s) may be terminated, for failure of the member to abide by these Bylaws, or any rule or regulation of the Board of Directors, only by the Board in accordance with this Section.

- (a) Prior to expulsion, and/or termination, the Board of Directors shall cause to be served on the accused member, either personally or by first-class mail addressed to the accused member at the address of the accused member appearing on the books of the Corporation, not less than twenty (20) days' written notice of hearing before the Board on the



question of whether the accused member should be expelled and/or the accused member's membership(s) terminated.

(b) The notice of hearing shall identify the accused member and the membership(s) (and water service unit(s) appurtenant thereto), set forth the reasons for the proposed action, and state the time and place of the hearing.

(c) At the hearing, the accused member shall be given an opportunity to be heard, orally or in writing, or both, and to present witnesses and written evidence.

(d) At the conclusion of the hearing, the Board of Directors may expel the accused member, and/or terminate the accused member's membership(s), effective five (5) business days after the Board's action, or the Board may decide and order that the expulsion, and/or termination of membership(s), not take place.

(e) On the effective date of expulsion and/or termination, the terminated membership(s) shall be forfeited to the Corporation and no longer appurtenant to any land; and the Secretary of the Corporation shall cancel the terminated membership(s).

(f) Within thirty (30) days after the effective date of expulsion and/or termination, the Treasurer of the Corporation shall reimburse the expelled member a sum equal to twenty percent (20%) of the then current membership fee for each membership terminated, less all delinquent amounts due in connection with the terminated membership(s). The funds used for reimbursements under this Subsection shall be derived solely from membership fees received by the Corporation under Subsections 4.4(b) and 4.4(f) of these Bylaws.

#### Attorney's Fees

SECTION 4.14. In any action brought by a member against the Corporation, or by the Corporation against a member, the prevailing party shall be entitled to an award of reasonable attorney's fees.

### **ARTICLE V. MEETINGS OF MEMBERS**

#### Annual Meeting

SECTION 5.1. An annual meeting of the members of the Corporation shall be held each year on the first Monday in September (Labor Day) at 10:00 a.m., for the purpose of transacting such proper business as may come before the meeting, including the election of Directors.

Special Meetings

SECTION 5.2. Special meetings of the members may be called for any purpose. On the written request of any person or persons entitled to call a special meeting, including members owning at least five percent (5%) of the voting power of the Corporation, the Secretary of the Corporation shall inform the Board of Directors as to such call, and the Board shall fix a time and place for the meeting. If the Board fails, within twenty (20) days of the request, to fix a time, the meeting shall be held at a time fixed by the Secretary.

Place of Meetings

SECTION 5.3. Meetings shall be held at the principal office of the Corporation or at such other place within the County of San Diego as may be determined by the Board of Directors and designated in the notice of such meeting.

Notice of Meetings

SECTION 5.4. Written notice of every meeting of members shall be given as follows:

- (a) Notice of the meeting shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting to each member appearing on the books of the Corporation on the record date.
- (b) The notice shall be given by first-class mail addressed to the member at the address of the member appearing on the books of the Corporation on the record date.
- (c) The notice shall state the place, date and time of the meeting, and:
  - 1. In the case of the annual meeting, the member's right to receive an annual financial report pursuant to Corporations Code Section 8321(a), and those matters which the Board of Directors, at the time the notice is given, intends to present for action by the members; but any proper matter may be presented for action at the meeting.
  - 2. In the case of a special meeting, the general nature of the business to be transacted; and no other business may be transacted.
- (d) The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees at the time the notice is given.

Record Date

SECTION 5.5. For the purpose of determining those members entitled to notice of or to vote at any meeting of members, or to receive any report, or in order to make a determination of members for any other proper purpose, the Board of Directors may fix, in advance, a date as the record date for said purposes, which

date shall not be more than sixty (60) nor less than ten (10) days prior to the date of the meeting, report, or other action, as the case may be.

Quorum

SECTION 5.6. A majority of the voting power of the Corporation, represented in person or by proxy, shall constitute a quorum for the transaction of business at a meeting of members. In the absence of the required quorum at a duly called meeting, the transaction of business may proceed provided:

- (a) The Board of Directors has previously approved the items of business submitted,
- (b) Full and proper notice of those matters to be considered, including pro and con arguments, if available, are provided to the membership pursuant to Article V, Section 5.4, and
- (c) 40% of the membership is present in person or by proxy. Elections may proceed on the same basis and nominations from the floor shall also be accepted.

Proxies Limited To Members

SECTION 5.7. Any member of the Corporation, by a written proxy duly executed by the member, may authorize another member to act by proxy with respect to such membership. The proxy may be used only by the member named in the proxy. A proxy is not assignable.

Voting

SECTION 5.8. The affirmative vote of the majority of the voting power voting on **any** matter at a duly held meeting shall be the act of the members, unless the vote of a greater number is required by these Bylaws.

Action Without Meeting by Written Ballot

SECTION 5.9. Directors may be elected, and any other action which may be taken at any meeting of members may be taken, without a meeting by written ballot of the members of the Corporation in accordance with Corporations Code Section 7513.

Secret Ballot

SECTION 5.10. The election of directors, and all balloting pursuant to Section 5.9 of these Bylaws, shall be conducted in a manner designed to protect the identity of the member casting the ballot.

**ARTICLE VI. MEMBERSHIP CERTIFICATES**

Form

SECTION 6.1. Certificates evidencing membership in the Corporation shall be in such form and device as the Board of Directors may prescribe. The membership

certificates shall be consecutively numbered, and shall contain appropriate legends setting forth the following bylaw provisions and restrictions:

- (a) The Corporation is a nonprofit mutual benefit corporation.
- (b) The Corporation may not make distributions to its members except upon dissolution.
- (c) The Bylaws of the Corporation impose restrictions upon the transferability of the membership certificate, and a copy of the Bylaws is on file with the Secretary of the Corporation and is open for inspection by a member on the same basis as the records of the Corporation.
- (d) The membership certificate shall be appurtenant to the real property described on the certificate, and shall be appurtenant to the number of water service units indicated on the certificate, each unit to comprise the minimum area of land of said property required for a single family residential lot under the then current San Diego County ordinances.
  - (e) Membership in the Corporation entitles the member to such water rights and privileges as are set forth in the Bylaws of the Corporation, subject to said Bylaws and to such rules and regulations as may be adopted by the Board of Directors of the Corporation.

Issuance

SECTION 6.2. Membership certificates shall be issued by the Secretary of the Corporation in the following manner:

- (a) The Secretary shall insert the name(s) of the record holder(s) of the membership(s), the number of memberships represented thereby, the description of the real property and the number of water service units to which the certificate is appurtenant, and the date of issuance.
- (b) The certificate shall be then signed by the President and Secretary of the Corporation, and affixed with the Corporate seal.
- (c) The information specified in Subsection (a) of this Section, along with the address of the record holder(s) of the membership(s), shall be entered in the records of the Corporation by the Secretary.
- (d) No more than one (1) membership certificate may be issued to any member, although a certificate may be appurtenant to any number of water service units.

Issued Certificates

SECTION 6.3. After the issuance of the membership certificate:

- (a) The Secretary of the Corporation shall deliver the membership certificate to the member, either personally or by first-class mail addressed to the member at the address of the member appearing on the books of the Corporation.



- (b) The acceptance of a membership certificate in the Corporation shall be considered as an express ratification of these Bylaws.
- (c) Any discrepancy between the information contained on a membership certificate and the information contained in the records of the Corporation shall be resolved in favor of the latter.
- (d) The member is entitled to service of water by the Corporation under such terms and conditions as shall be determined by the Board of Directors.
- (e) The duration of a membership shall be that of the life of the Corporation, unless the membership shall be terminated.

Mutual Water Company

SECTION 6.4. Water shall be sold, distributed, supplied or delivered only to owners of membership certificates of the Corporation, at actual cost plus necessary expenses, and not for profit, for domestic use only upon the land owned by the member and described in the certificate issued to the member.

Transfers

SECTION 6.5. Upon a transfer of a water service unit and satisfaction of the requirements of Section 4.5 of these Bylaws, the Secretary of the Corporation shall enter in the records of the Corporation the cancellation of the membership certificate pertaining thereto and the issuance of the new membership certificate(s). The Secretary shall require the holder of the cancelled certificate to surrender it to the Secretary, duly endorsed by the holder or by the holder's legal representative, to be marked "cancelled" and preserved for record purposes by the Secretary.

Lost Certificates

SECTION 6.6. In case any membership certificate is lost or destroyed, the Secretary of the Corporation shall, before issuing a new certificate in lieu thereof, require the record owner thereof to execute an instrument attesting thereto, to be preserved for record purposes by the Secretary.

**ARTICLE VII. CORPORATE RECORDS AND REPORTS, PRINCIPAL OFFICE, FISCAL YEAR, AND SEAL**

Records

SECTION 7.1. The Corporation shall keep adequate and correct records of account, and minutes of the proceedings of the members and of the Board of Directors. The Corporation shall also keep a record of the members, giving their names and addresses and the number of memberships held by each.

Inspection by Director

SECTION 7.2. Every Director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind, and to inspect the physical properties, of the Corporation.

Inspection by Member

SECTION 7.3. The accounting books, records and minutes of proceedings of the members and of the Board of Directors shall be open to inspection upon the written demand on the Corporation of any member at any reasonable time, for a purpose reasonably related to such person's interests as a member.

Membership List

SECTION 7.4. The membership list, consisting of the names, addresses and voting rights of the members, is an asset of the Corporation, and may not be used in whole or in part by any person for any purpose unrelated to a member's interest as a member of the Corporation. The membership list may be inspected and copied, or obtained from the Secretary of the Corporation, by a member only in accordance with the provisions of Corporations Code Section 8330.

Annual Report

SECTION 7.5. The annual report shall be prepared not later than sixty (60) days after the close of the Corporation's fiscal year. The annual report shall contain in appropriate detail the following: (1) a balance sheet as of the end of such fiscal year, and an income statement and statement of changes in financial position for such fiscal year; (2) a statement of the place where the names and addresses of the current members are located; and (3) any information concerning certain transactions and indemnifications required by Corporations Code Section 8322. The annual financial report shall be accompanied by any report thereon of independent accountants or, if there is not such a report, the certificate of any authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation. On the written request of a member, the Board of Directors shall promptly cause the most recent annual report to be sent to the requesting member.

Principal Office

SECTION 7.6. The principal office of the Corporation is located at 22212 Crestline Road, Palomar Mountain, San Diego County, California 92060-0125. The Board of Directors of the Corporation has the authority to change the principal office of the Corporation from one location to another in the County of San Diego, California.

Fiscal Year

SECTION 7.7. The fiscal year of the Corporation shall begin on the 1st day of July of each *year* and end at midnight on the 30th day of June of the following year.

Corporate Seal

SECTION 7.8. The Corporation shall have a common seal consisting of the following words and year:

PALOMAR MOUNTAIN MUTUAL WATER CO. INC.  
INCORPORATED 1925  
SAN DIEGO COUNTY, CALIF.

**ARTICLE VIII. AMENDMENTS**

Any of these Bylaws may be amended or repealed, and any bylaw may be adopted, amended or repealed, by a vote representing two-thirds (2/3) affirmative (yes) votes of the voting power of the Corporation.

**ARTICLE IX. TRANSITION PROVISIONS**

Units of Land: Reservation of Rights

SECTION 9.1. In the absence of a specific written consent of the member to the contrary, the unit of measurement for a water service unit, as to memberships outstanding on July 1, 1988, shall be ten thousand (10,000) square feet, or less. The term "unit(s) of land" set forth on membership certificates issued and outstanding as of July 1, 1989 shall be a reference to "water service unit(s)" as that latter term is used in all the other provisions of these Bylaws; provided, however, that these Bylaws shall not defeat or diminish membership rights in existence as of July 1, 1989. (Thus, a member holding one (1) or more membership(s), due to the member's ownership of one (1) or more units of land, as previously defined in the Corporation's Bylaws, shall continue to hold the same number of memberships notwithstanding the fact that the actual number of water service units the member is ultimately entitled to may be less than the number of units of land owned by the member.) Membership certificates issued and outstanding as of July 1, 1989, need not be replaced; but any membership certificate issued pursuant to this Section, or by reason of a transfer of units of land pursuant to Section 4.5 of these Bylaws, shall have the following bylaw provision in the place and stead of Section 6.1(d):

The membership certificate shall be appurtenant to the real property described on the certificate, and shall be appurtenant to the number of water service units indicated on the certificate, each unit to comprise not more than ten thousand square feet of land of said property.

If a member desires to replace a membership certificate with a new certificate containing the provisions of Section 6.1(d) of these Bylaws, except as to water

service units which are improved with a residential dwelling, the Board of Directors may require that the member submit a current Certificate of Compliance issued by the County of San Diego, certifying that the real property to which the membership certificate is appurtenant has a number of water service units, as defined in said Section 6.1(d), at least equal to the number of memberships appurtenant to said property.

This Section shall not apply to membership certificates issued after July 1, 1989 pursuant to Section 4.4 of these Bylaws.

1989 Election of Directors

SECTION 9.2. The terms of office for the seven (7) Directors elected at the annual meeting of the members in the year 1989 shall be as follows, and this Section is repealed effective immediately following said meeting:

- (a) Those receiving the first, second and third highest number of votes shall hold office for three (3) years.
- (b) Those receiving the fourth and fifth highest number of votes shall hold office for two (2) years.
- (c) Those receiving the sixth and seventh highest number of votes shall hold office for one (1) year.