

**BY-LAWS FOR THE REGULATION, EXCEPT AS OTHERWISE PROVIDED BY  
STATUTE OR BY ITS ARTICLES OF INCORPORATION OF LINCOLN AVENUE  
WATER COMPANY, A CORPORATION**

**ARTICLE I  
NAME**

The name of this corporation is and shall be the LINCOLN AVENUE WATER COMPANY and for convenience shall be referred to hereinafter as the "Company".

**ARTICLE II  
OFFICES**

Section 1. Principal Office. The principal office for the transaction of the business of the Company is hereby fixed and located at 564 West Harriet in the unincorporated area known as Altadena, County of Los Angeles, State of California. The Board of Directors is hereby granted full power and authority to change said principal office from one location. to another in said county. Any such change shall be noted on the Bylaws opposite this section, or this section may be amended to state the new location.

Section 2. Other Office. Branch or subordinate offices may, at any time, be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

**ARTICLE III OBJECTS AND PURPOSES**

The objects and purposes of the Company shall be to develop, distribute, supply and deliver water for domestic, municipal and irrigation uses or anyone of such uses to its shareholders, or to the State or any agency or department thereof, or to any school district, or to any other mutual water company at cost, or to such others as a two-thirds majority of the Board of Directors of this Company may determine and providing the supply to shareholders is in no way jeopardized. The Company shall be authorized to do whatever may be deemed necessary, conducive, incidental or advisable to accomplish and promote said objects or purposes, including, but not limited to:

- (a) Constructing, leasing, maintaining and operating water system facilities:
- (b) Acquiring, owning, leasing or developing water, water rights or water bearing lands:
- (c) Paying all taxes, utilities, charges, assessments by which to further the foregoing objects and purposes; and to do any other act or thing in any way connected with the foregoing or related to the objects and purposes of the Company.

**ARTICLE IV SHAREHOLDERS**

Section 1. Shareholders. Shareholders of the Company shall be limited to the owner or owners of one (1) or more lots or parcels of real property within the geographical boundaries served by this Company.

A map setting forth those boundaries is attached to these By-Laws and by reference made a part hereof. For the purpose of these By-Laws, lots shall consist of those lots described and set forth in Subdivision Maps from time to time filed in the office of the County Recorder of Los Angeles County, California, including property within the area described above; lots resulting from the further subdivision of any lots set forth and described in any Subdivision Map filed at this time; and each unit of any apartment building, community apartment, or condominium, or other cooperative type of multiple living facilities now existing or that may be constructed within said area. There shall also be a minimum of one parcel designated for each property owner within said geographical boundaries. A purchaser of any lot or parcel of land under contract shall also be deemed to be an owner for the purposes of these By-Laws. A lot or parcel of land held jointly by husband and wife shall qualify the owners thereof for one (1) share certificate only in the Company. As to any lot or parcel of land held in joint tenancy, tenancy in common, or in the name of a partnership or in any other way, only one (1) share certificate shall be issued for any lot or parcel so owned.

Section 2. Eligibility for Holding Stock. All persons who become owners of parcels of property, as defined and described in Section 1 of this Article IV shall by reason of such ownership, become eligible and required, in order to acquire the right to receive water from this Company, to purchase one (1) share in the Company for each parcel containing a maximum of one-fifth (1/5) acre so owned. Each owner of a lot containing more than one-fifth (1/5) acre in area shall be required to purchase one (1) share for each one-fifth (1/5) acre, or portion thereof, of area contained in such lot. In addition, the Board of Directors of the Company is empowered to consider special circumstances from time to time not covered herein and, based on such circumstances, issue shares and adjust by increasing or decreasing the number of shares required to be purchased and determine the eligibility for becoming a shareholder. Such circumstances shall include such items as the number of living units on each parcel; the water requirements for each parcel; and the geographical limitation of each parcel. Notwithstanding anything provided herein to the contrary, no fractional shares shall be issued by this Company.

Section 3. Voting Rights. Each shareholder shall be entitled to one vote for each share held on each matter submitted to the vote of the shareholders. No distinction shall exist between the shareholders except that a shareholder must be in good standing in order to vote.

Section 4. Termination. The Board of Directors may, by affirmative vote of three-quarters of all members of the Board, suspend or expel a stockholder for cause after an appropriate hearing and by majority vote of those present at any regularly constituted meeting, and may cancel the shares of any shareholder who becomes in default in the payment of assessments for the period fixed in Article XIII of these bylaws.

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

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

Section 7. Transfer of Shares. Shares of stock in this Company which are appurtenant to the land described in the certificate issued for such stock shall not be transferable except with the land for which it is issued, and a conveyance of the land shall legalize a transfer of the appurtenant stock to the purchaser. All shares of stock in this Company are transferable or assignable only in accordance with the eligibility requirements for shareholders as provided under this Article.

Section 8. Rights and Liabilities. No shareholder of the Corporation shall have any right, title or interest in or to any property or assets of the Corporation, except upon dissolution.

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

## **ARTICLE V MEETINGS**

Section 1. Place of Meeting. The Board of Directors may designate a place within the geographical boundaries of the unincorporated area known as Altadena, State of California, as the place of meeting for any annual meeting or for any special meeting. If no designation is made, the place of meeting shall be the principal office of the Company; but if all the shareholders shall meet at any time and place, either within or without the State of California, and consent to the holding of a meeting before or after the meeting, such meeting shall be valid without call or notice, and at such meeting any Company action may be taken.

Section 2. Annual Meeting. The Annual meeting of shareholders shall be held on the first Monday in the month of May of each year for the purpose of electing directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. If the day fixed for the annual meeting shall fall on a legal holiday, such meeting shall be held on the next succeeding business day or upon such other day within 30 days thereafter as may be fixed by the Board of Directors of this Corporation. Failure to hold the annual meeting at the designated time shall not work forfeiture or dissolution of the Corporation, and in the event of such failure, the annual meeting shall be held within a reasonable time thereafter.

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

Section 4. Notice of Meetings. written notice stating the place, day and hour of the meeting, and in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon his default, by any director or by the persons calling the meeting, to each shareholder. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the records of the Corporation, with postage thereon prepaid. The failure of any shareholder to receive notice of an annual or special meeting of the shareholders shall not invalidate any action which may be taken by the shareholders at any such meeting.

Section 5. Quorum. Shareholders holding twenty percent (20%) of the total number of outstanding shares (represented in person or by proxy) shall constitute a quorum. If less than a quorum is present at any meeting, the shareholders holding a majority of the shares represented in person or by proxy may adjourn the meeting from time to time without further notice.

Section 6. Proxies. At any meeting of shareholders, a shareholder entitled to vote may vote by proxy executed in writing by the member or by his duly authorized attorney in fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 7. Informal Action. Any action required by law to be taken at a meeting of the shareholders, or any action which may be taken at a meeting of shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted; and otherwise subject to the provisions set forth in section 603 of the California Corporations Code.

Section 8. Water Rights and Charges. Each share of stock of the Company shall entitle its holder who also owns real property within the area described in Exhibit "A" to a proportionate share of all water available equal to that of every other share issued and outstanding subject to the rules and rates established from time to time by the Board of Directors; provided, however, each share of stock of the Company shall be charged its proportionate share of the cost of water supplied to an entity providing fire protection service within the area designated in Exhibit "A".

The Board of Directors shall have the power to make all needful rules and regulations for the division and distribution of water for irrigating, domestic or other purposes among the shareholders of the corporation, for fire protection, and for other authorized purposes; and to establish schedules of rates and charges for water and services not inconsistent with the provisions of law and of these By-Laws. Such rate shall be structured to provide the accumulation and maintenance of a fund for the repair and replacement of the water supply, distribution and fire protection system (the "Repair and Replacement Fund"). Each share of stock of the Company shall bear a proportionate share of the cost of repair and replacement of the water supply, distribution and fire protection system, as well as a proportionate share of the cost of maintaining the Repair and Replacement Fund. In Addition, the rate charged by the Company shall bear a reasonable relationship to the cost of furnishing water."

## **ARTICLE VI DIRECTORS**

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

Section 2. Number, Tenure and Qualifications. The number of directors shall be five (5). Each director shall hold office for a period of One year which shall commence the first day of the month following the annual meeting of the shareholders in which said director is elected, and continue until the last day of the month in which the next annual meeting of the shareholders is held or until said director's successor is duly elected and qualified. At least three of the five offices for Director must be filed by shareholders of this Corporation who, at the time of their election, also own property within the area designated in Exhibit "A". Any director may succeed himself in office

as many times as he is elected to that office by the Shareholders of the Corporation, provided he then otherwise qualifies to be so elected. Directors will be elected by the affirmative vote of a majority of the shares voting at a duly held meeting at which a quorum is present, which shares voting affirmative must also constitute a majority of the required quorum.

Section 3. Vacancies. Vacancies may be filled by a majority of the remaining directors, though less than a quorum or by a sole remaining director, and each director so elected shall hold office until his successor is elected at the next annual meeting of the shareholders.

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

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

Section 4. Compensation and Fees. Directors and members of committees may receive such reasonable compensation, if any, for their services, and such reimbursement for expenses as may be fixed or determined by the Board of Directors, but nothing contained herein shall be construed to preclude any director from serving the Company in any other capacity and receiving compensation therefore. The Board of Directors shall limit the salaries paid to the persons operating, or employed by, the Company, including the officers, to such compensation as is reasonable for the duties performed, the level of responsibility of such duties, and the time required to perform such duties

Section 5. Removal of Directors. The entire Board of Directors or any individual director may be removed from office without cause by approval of the holders of at least a majority of the shares. If any or all directors are so removed, new directors may be elected at the same meeting or by such written consent. The Board of Directors may declare vacant the office of any director who has been declared of unsound mind by an order of court or convicted of a felony.

Section 6. Conflicts of Interest. Unless authorized by the Board of Directors, no director shall have a financial interest in any contract between the Company and any person, firm or entity. For purposes of this Section, the term "contract" shall include the purchase of equipment, tools, supplies or services by the Company, whether or not such contract is in writing. A violation of this section shall result in the affected director having to repay any profits from such contract made in violation of this Section to the Company, and shall constitute grounds for removal of such director from the Board of Directors, upon majority vote of the remaining directors.

## **ARTICLE VII MEETING OF DIRECTORS**

Section 1. Place of Meeting. The Board of Directors may designate the place of meeting, either within or without the State of California, as the place of meeting for any regular or special meeting. If no designation is made, the place of meeting shall be the principal office of the Company; but if all members of the Board shall be present at any time and place and consent to the holding of a meeting before or after the meeting, such meeting shall be valid without call or notice, and at such meeting any Company action may be taken.

Section 2. Organizational Meeting. Immediately following each annual meeting of shareholders the Board of Directors shall hold a regular meeting for the purposes of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 3. Regular Meeting. Other regular meetings shall be held without notice on the 2nd and 4th Monday of each month at 6:00 O'clock P.M. of said day; provided should said day fall upon a legal holiday, then said meeting shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of all such meetings is hereby dispensed with.

Section 4. Special Meetings. Special meetings of the Board may be called by the President, or if he is absent or unable or refuses to act by the Vice President or by any two directors. Notice of any special meeting shall be given at least 7 days previous thereto by written notice delivered personally or sent by mail or telegram to each director at his address as shown by the records of the Company. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting either before or after said meeting in writing. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. The business to be transacted at the meeting need not be specified in the notice or waiver of notice of such meeting unless specifically required by law or by these Bylaws.

Section 5. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; but if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 6. Action. The act of a majority of the directors present at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these Bylaws.

Section 7. Notice of Adjournment. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place be fixed at the meeting adjourned.

Section 8. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or whatever held, shall be as valid as though held at a meeting duly held after regularly called and noticed, if a quorum be present and if, either before or after the meeting, each of the directors not present signs a written Waiver of Notice or a consent to holding such meeting, or if an approval shall be filed with the Corporate records or made a part of the minutes of the meeting.

Section 9. Adjournment. A quorum of the Directors may adjourn any Directors meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the Directors present at any directors meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 10. Telephonic Participation in Meetings. Members of the Board may participate in a meeting through the use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this subdivision constitutes presence in person at such meeting.

Section 11. Indemnification of Directors. This Corporation in accordance with the provisions set forth in section 317 of the California Corporations Code shall indemnify each of it's Directors who becomes a party, or is threatened to be made a party to any threatened, pending, or completed action by reason of the fact that such Director is or was an agent of the Corporation, against expenses, fines, judgments, settlements and other amounts actually and reasonably incurred in connection with the proceedings if that Director acted in good faith and in a manner said person reasonably believed to be in the best interest of the Corporation and, in the case of criminal proceedings had no reasonable cause to believe the conduct of the person was unlawful.

## **ARTICLE VIII OFFICERS**

Section 1. Generally. The officers of the Company shall be a President, Vice President, a Secretary and a Treasurer. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board of Directors, one or more additional vice presidents, one or more assistant secretaries, one or more assistant treasurers and such other officers as may be appointed in accordance with the provisions of Section 2 of this Article VIII. One person may hold two or more offices, except those of President and Secretary.

Section 2. Election and Term of Office. The officers of the Company shall be elected annually by the Board of Directors at the regular annual meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. New offices may be

created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified.

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

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

Any officer may resign at any time by giving written notice to the Board of Directors, or to the President or to the secretary of the Company. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; the acceptance of such resignation shall not be necessary to make it effective. Such resignations shall be governed by the terms of the employment agreement if any.

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

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

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

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

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

- (a) Keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose;
- (b) See that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) Be custodian of the corporate records and of the seal of the Company and affix the seal of the Company to documents, the execution of which on behalf of the Company under its seal is duly authorized in accordance with the provisions of these Bylaws.
- (d) Keep a register of the names and post office addresses of all shareholders;
- (e) Have a general charge of the books of the Company;
- (f) Keep on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Company containing all amendments thereto (which copy shall always be open to the inspection of

any shareholder and, at the expense of the Company, forward a copy of these Bylaws and of all amendments thereto to each shareholder); and

(g) In general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors or the President.

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

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

Section 10. Subordinate Officers. The Board of Directors may appoint such other officers as the business of the Company may require including, but not limited to, assistant secretaries and assistant treasurers, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

Section 11. Indemnification of Officers. This Corporation in accordance with the provisions set forth in section 317 of the California Corporations Code shall indemnify each of its Officers who becomes a party, or is threatened to be made a party to any threatened, pending, or completed action by reason of the fact that such Officer is or was an agent of the Corporation, against expenses, fines, judgments, settlements and other amounts actually and reasonably incurred in connection with the proceedings if that Officer acted in good faith and in a manner said person reasonably believed to be in the best interest of the Corporation and, in the case of criminal proceedings had no reasonable cause to believe the conduct of the person was unlawful.

Section 12. Conflicts of Interest. Unless authorized by the Board of Directors, no officer shall have a financial interest in any contract between the Company and any person, firm or entity. For purposes of this Section, the term "contract" shall include the purchase of equipment, tools, supplies or services by the Company, whether or not such contract is in writing.

## **ARTICLE IX COMMITTEES**

Section 1. Committees of Directors. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate one or more committees, each of which shall consist of two or more directors, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Company; but the designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed upon it or him by law.

Section 2. Other Committees. Other committees not having and exercising the authority of the Board of Directors in the management of the Company may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such committee shall be either shareholders or directors of the Corporation, and the President shall appoint the members thereof. Each such committee shall have at least two members thereof appointed from among the directors of the Corporation. Any member thereof may be removed by the person or persons authorized to appoint such member whenever in their judgment the best interest of the Corporation shall be served by such removal.

Section 3. Term of Office. Each member of a committee shall continue as such until the next annual meeting of the shareholders of the Company and until his successor is appointed, unless the committee shall be

sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify as a member thereof.

Section 4. Chairman. One member of each committee shall be appointed chairman by the person or persons authorized to appoint the members thereof.

Section 5. Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

Section 6. Quorum. Unless otherwise provided in a resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 7. Rules. Each committee may adopt rules for its own government not inconsistent with these Bylaws or with the rules adopted by the Board of Directors.

## **ARTICLE X SEAL**

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

## **ARTICLE XI FINANCIAL MATTERS**

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

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

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

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

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

## **ARTICLE XII SHARE CERTIFICATES**

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

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

Section 3. Share Certificates of the Company are not transferable or assignable except as specifically provided in these Bylaws. Upon surrender to the Secretary of the Company of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the

Company to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction on its books. All transfers of such certificates shall be subject to a transfer fee as fixed by the Board of Directors and to the payment of all indebtedness to the Company of the shareholder whose certificate is transferred.

Section 4. Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of the fact in such manner that the Board of Directors may require, and shall, if the directors so require, give the Company a bond of indemnity, inform and with one or more sureties satisfactory to the Board, in at least double the value of the stock represented by said certificate, whereupon a new certificate may be issued of the same tenure and for the same number of shares as the one alleged to be lost or destroyed.

Section 5. Each share of stock of the Company shall entitle its holder to a proportionate share of all water available to the Company equal to that of every other share issued and outstanding subject to the rules and rates established from time to time by the Board of Directors. The rights of a shareholder to water only applies to such water as will be distributed and used within the boundaries described in Article III of these By-Laws.

### **ARTICLE XIII ASSESSMENTS**

Section 1. Assessment for the installation, depreciation, maintenance and operation of the pipelines and water system owned by the Company may be levied by the Board of Directors on the shareholders from time to time as deemed necessary and any such assessments shall be delinquent thirty (30) days from the date of the call therefore mailed postage prepaid from the office of the Company to such shareholders at their addresses on file with the Secretary.

Section 2. Delinquent assessments shall be subject to such penalties as may be fixed by the Board of Directors. Failure of any shareholder to pay any assessment when due may, in the discretion of the Board of Directors, constitute a forfeiture of the right to use water from the Company system. However, the defaulting member shall be entitled to a hearing before the Board of Directors at a time and place to be fixed by the Board of Directors, and the decision of the Board of directors at any such hearing shall be final.

### **ARTICLE XIV OPERATION OF WATER SYSTEM**

Section 1. The Board of Directors shall appoint a Chief Operations Officer, whose duties may include, but are not limited to: (a) supervising and assisting in the installation of pipelines, water connections and other works of the Company and (b) supervising the distribution of water and to otherwise perform those duties of management of the corporation's business activities. Subject to the approval of the Directors, the Chief Operations Officer may employ such assistants and other employees as may be necessary. The Chief Operations Officer shall render a report to the President and Directors annually (or more if so required) setting forth the result of Company operations and shall perform such other duties as the President of the Board may require.

### **ARTICLE XV MISCELLANEOUS**

Section 1. Waiver of Notice. Any shareholder or Director may waive in writing any notice of a meeting required to be given by these Bylaws, the Articles of Incorporation or the General Corporation Law of California. The attendance of a shareholder or Director at any meeting shall constitute a waiver of notice of such meeting by such shareholder or Director, except in case a shareholder or Director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 2. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Company.

Section 3. Accounting System and Reports. The Board of Directors shall cause to be established and maintained, in accordance with generally accepted principles of accounting, an appropriate accounting system and books of account.

Section 4. Record, Date and Closing of Share Certificate Book. The Board of Directors may fix a time, in the future, not exceeding 30 days prior to the date of any meeting of shareholders, or the date for any other action affecting the shareholders as a record date for the determination of the shareholders entitled to notice of and to vote at such meeting, or entitled to receive the benefit of any such other action and in such case only shareholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting or to receive such benefit, as the case may be, notwithstanding any transfer of any share certificates on the books of the Company after any record date fixed as aforesaid.

Section 5. Inspection of Company Records. The share certificate book, the books of account, the Bylaws, and the minutes of proceedings of shareholders and directors and of the executive, if any, and other committees of the Directors shall be open to inspection upon the written demand of any shareholder at any reasonable time, and for a purpose reasonably related to his interest as a shareholder, and shall be exhibited at any time when required by the demand at any shareholders meeting of ten percent of the shareholders represented at the meeting. Such inspection may be made in person or by an agent or attorney, and shall include the right to make extracts. Demand of inspection other than at a shareholders' meeting shall be made in writing upon the President, Secretary or Office Manager, if any, of the Company.

Section 6. Reports to Shareholders. Annual reports as required by law, if any, shall be given to shareholders within One Hundred twenty (120) days of the close of the fiscal year of the Company. The Board of Directors shall cause such report or reports to be sent to the shareholders in such form as is required by law, or as may be deemed appropriate by the Board of Directors.

Section 7. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction, and definitions contained in the California General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the singular number includes the plural number and the plural number includes the singular, and the term person includes corporation as well as a natural person.

## **ARTICLE XVI DISSOLUTION**

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

## **ARTICLE XVII AMENDMENTS**

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

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

## CERTIFICATE OF SECRETARY

I certify that:

1. I am the Secretary of Lincoln Avenue Water Company
2. The attached Bylaws are the Bylaws of the corporation approved by the Board of Directors on March 13, 2006, at a meeting duly held.

Dated: March 14, 2006

  
Robert J. Hayward, Secretary

# LAWC Service Area

## Exhibit A

