

BYLAWS
OF
BUZZTAIL WATERWORKS

DEPARTMENT OF CORPORATIONS
1980
SACRAMENTO OFFICE

I. PURPOSES

1.01. Specific and Primary Purposes.

The specific and primary purposes are to operate a mutual water company by buying, developing, or otherwise acquiring, and furnishing to its members only, water for irrigation purposes or domestic use, at cost, upon land owned by such members in Butte County, California.

1.02. General Purposes and Powers.

The general purposes and powers of this corporation, which shall not be inconsistent with paragraph 1.01 hereinabove, and shall not be in furtherance of the primary purpose for which this corporation is formed as stated in said paragraph 1.01, are as follows:

A. To establish a rate structure to users of water delivered by the corporation which shall result in the accumulation and maintenance of a fund for the replacement of its facilities, bear a reasonable relationship to the cost of furnishing water, and provide that unimproved lots and parcels included within the area to be served by this corporation shall bear an appropriate share of the costs of maintaining the water system;

B. To establish a reasonable relationship between each unit of the securities to be issued to the members of this corporation and each unit of the area to be served;

C. To establish any securities issued by this corporation as being appurtenant to the several economic units within the area of the water system to be served, as permitted by Section 330.24 of the Civil Code of the State of California;

D. To provide for transferability of any securities issued by this corporation, voting rights of members, necessary or contemplated expansion of the

facilities of this corporation, and further subdivision, where applicable, of the area to be served by the water system;

E. To acquire, by lease, purchase, or other lawful means, and to hold, develop, distribute, sell, supply, and deliver water for irrigation or domestic uses to its members only; and to acquire wells, pumps, plants, flumes, reservoirs, aqueducts and pipe lines for pumping, producing, impounding, collecting, conserving, selling and distributing water to its members only, and to no other parties or persons, upon the lands located in the vicinity of Butte County, California.

F. To make all lawful, necessary and proper rules and regulations for the distribution of the water of this corporation to its members, and to no other parties or persons;

G. To conduct said business of furnishing, supplying, selling, distributing and delivering water only for the mutual benefit of the members of this corporation, and not for profit;

H. To purchase, acquire, own, hold, use, lease (either as lessor or lessee), grant, sell, exchange, subdivide, operate, and deal in real and personal property of every kind and description, insofar as such activity shall be necessary, appropriate or convenient to further the primary purpose for which this corporation is formed;

I. To enter into, make, perform, and carry out any and all contracts with any person, firm, association, corporation, municipality, county, state, territory, government, or other municipal or governmental subdivision, insofar as any such contracts shall be in furtherance of the primary purpose for which this corporation is formed;

J. From time to time to apply for, purchase, acquire, buy, assign, transfer, or otherwise, exercise, carry out and enjoy any benefit, right, privilege, prerogative, or power conferred by, acquired under, or granted by any statute, ordinance, order, license, power, authority, franchise, commission, right or privilege which any government or authority or governmental agency or corporation or other public body may be empowered to enact, make, or grant; to pay for, aid in, and contribute toward carrying the same into

effect, and to appropriate any of this corporation's memberships, bonds, and/or assets to defray the costs, charges and expenses thereof; provided, however, that any such activities shall be engaged in only in furtherance of the primary purpose for which this corporation is formed;

K. To borrow money, and to issue bonds, notes, debentures, or other obligations of this corporation from time to time for any of the objects or purposes of this corporation, and to secure the same by mortgage, deed of trust, pledge, or otherwise, or to issue the same unsecured; to purchase or otherwise acquire its own bonds, debentures, or other evidence of indebtedness or obligations; to purchase, hold, sell and transfer its own membership interests to the extent and in the manner provided by the laws of the State of California, as the same are now in force, or may hereafter be amended; provided, however, that any such activity shall be engaged in only in furtherance of the primary purpose for which this corporation is formed;

L. To assess and collect necessary fees for the maintenance of roads in the service area, and for the accumulation of a replacement fund for such roads. In no case, however, may the corporation assess or collect fees for any purposes other than the distribution of water or a necessary maintenance purpose.

M. To engage in any activity permitted to be engaged in by the laws of the State of California; provided that any such activity shall be in furtherance of the primary purpose for which this corporation is formed;

N. To engage in activities authorized by Section 330.24 of the Civil Code and of Sections 2705, 2727 and 2728 of the Public Utilities Code; and

O. Through the board of directors to levy and collect assessments upon all members or membership interests in the manner provided from time to time in the Bylaws.

1.03. Legislation.

No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political

campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

II. MEMBERS' MEETINGS

2.01. Place.

All meetings of the members shall be held at any office of the corporation in the State of California, or any other place within or without this state, as may be designated for that purpose from time to time by the board of directors.

2.02. Time of Annual Meeting.

The annual meeting of the members shall be held at 12:00 P.M., on the first Monday of November. If this day falls on a legal holiday, the annual meeting shall be held at the same time on the following business day thereafter.

2.03. Special Meetings.

Special meetings of the members for any purpose or purposes may be called at any time by the president, or by the board of directors, or by any two or more directors, or by five percent (5%) or more of the members.

2.04. Notice.

Notice shall be given whenever members are required or permitted to vote at a meeting of members. All notices of meetings of members shall be given in accordance with this section not less than ten, nor more than 90, days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (a) in the case of a special meeting, the general nature of the business to be transacted, or (b) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the members.

Notice of any meeting of members shall be given either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each member either at the address of that member appearing on the books of the association or the address given by the member to the association for the purpose of notice. Personal delivery shall be deemed accomplished by delivery of the notice to the residence owned by the member within the

development. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

An affidavit of the mailing or other means of giving any notice of any members' meeting may be executed by the secretary, assistant secretary, or any other party of the association giving the notice, and if so executed, shall be filed and maintained in the minute book of the association.

2.05. Quorum.

Twenty percent (20%) of the voting members constitutes a quorum for the transaction of business. Business may be continued after withdrawal of enough members to leave less than a quorum.

2.06. Voting.

Only persons whose names appear on the membership records of the corporation ten days before any meeting shall be entitled to vote at such meeting, unless some other day is fixed by the board of directors for the determination of members of record. Each member is entitled to one vote for each membership interest, except that for the election of directors each member shall be entitled to a number of votes equal to the number of directors to be elected, multiplied by the number of membership interest which he is entitled to vote. Voting for the election of directors shall be by voice unless any member demands a ballot vote before the voting begins.

2.07. Proxies.

Every person entitled to vote or execute consents may do so either in person or by written proxy executed by the person or his agent and filed with the secretary of the corporation.

2.08. Consent of Absentees.

No defect in the calling or noticing of a members' meeting will affect the validity of any action at the meeting if a quorum was present, and if each member not present in person or by proxy signs a written waiver of notice, consent to the holding of the meeting, or approval of the minutes, either before or after the meeting, and such waivers, consents, or approvals are filed with the corporate records or made a part of the minutes of the meeting.

III. DIRECTORS

3.01. Powers.

The directors shall act only as a board, and an individual director shall have no power as such. All corporate powers of the corporation shall be exercised by, or under authority of, and the business and affairs of the corporation shall be controlled by the board of directors, subject, however, to such limitations as are imposed by law, the articles of incorporation, or these bylaws, as to actions to be authorized or approved by the members. The board of directors may, by contract or otherwise, give general or limited or special power and authority to the officers and employees of the corporation to transact the general business, or any special business, of the corporation, and may give powers of attorney to agents of the corporation to transact any special business requiring such authorization.

3.02. Number and Qualification.

The authorized number of directors of this corporation shall be three. The directors need not be members of this corporation.

3.03. Election and Term of Office.

The directors shall be elected annually by the members entitled to vote, and shall hold office until their respective successors are elected, or until their death, resignation or removal.

3.04. Vacancies.

Except for a vacancy caused by the removal of a director, a vacancy in the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director. The members may elect a director at any time to fill any vacancy not filled by the directors within ten (10) days following the occurrence of the vacancy.

3.05. Removal of Directors.

The entire board of directors or any individual director may be removed from office in the manner provided by law.

3.06. Place of Meetings.

All meetings of the board of directors shall be held at the principal office of the corporation or at such place within or without the state as may be designated from time to time by resolution of the board or by written consent of all the members of the board.

3.07. Regular Meetings.

Regular meetings of the board of directors shall be held, without call or notice, immediately following each annual meeting of the members of this corporation.

3.08. Special Meetings.

Special meetings of the board of directors for any purpose shall be called at any time by the president or, if he is absent or unable or refuses to act, by any vice president or any two directors.

3.09. Notice of Special Meetings.

Special meetings of the board of directors may be held upon four days' notice to each director by first-class mail or 48 hours' notice to each director delivered personally or by telephone or telegraph. Such notices shall state the time, and in general terms the purpose or purposes of the meeting. The attendance of a director at any meeting shall constitute a waiver of notice of the meeting, except where a director attends a meeting only for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

3.10. Quorum.

A majority of the authorized number of directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present shall be regarded as the act of the board of directors, unless a greater number be required by law or by the articles of incorporation.

3.11. Board Action Without Meeting.

Any action required or permitted to be taken by the board of directors may be taken without a meeting, and with the same force and effect as a unanimous vote of directors, if all members of the board shall individually or collectively consent in writing to such action.

3.12. Adjournment.

A quorum of the directors may adjourn any directors' meeting to meet again at a stated day and hour. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place is fixed at the meeting adjourned. 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.

3.13. Conduct of Meetings.

The president, or, in his absence, any director selected by the directors present, shall preside at meetings of the board of directors. The secretary of the corporation, or, in his absence, any person appointed by the presiding officer, shall act as secretary of the board of directors.

3.14. Compensation.

Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by resolution of the board.

3.15. Indemnification of Directors and Officers.

The board of directors may authorize the corporation to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against present or former directors, officers, or employees of this corporation as provided by Section 7237 of the California Corporations Code.

IV. OFFICERS

4.01. Titles and Appointments.

The officers of the corporation shall be a president, one or more vice presidents, a secretary, a chief financial officer, and such assistants and other officers as the board of directors shall from time to time determine. Any two offices, except president and secretary, may be held by one person, and any office, except president and secretary, may be left unfilled for any period in the discretion of the board of directors. All officers shall be elected by and hold office at the pleasure of the board of

directors, which shall fix the compensation and tenure of all officers.

4.02. President.

The president shall be the chief executive officer of the corporation and shall perform all the duties commonly incident to that office, and shall preside at all meetings of the members and at all meetings of the board of directors.

4.03. Vice Presidents.

The vice president, or the vice presidents in the order of their seniority, may assume and perform the duties of the president in the absence or disability of the president or whenever the office of the president is vacant, and shall perform such other duties and have such other powers as the board of directors or the president shall designate from time to time.

4.04. Secretary.

The secretary shall see that all notices are duly given in accordance with the provisions of these bylaws or as required by law, shall keep the minutes of all proceedings of meetings of members and of the board of directors, and shall perform such other duties as are incident to his office or as are assigned to him by the board of directors or by the president.

4.05. Chief Financial Officer.

The chief financial officer shall receive and have custody of all funds and securities of the corporation, shall keep adequate and correct accounts of the corporation's properties and business transactions, and shall perform such other duties as may be required of him by the board of directors or by the president.

V. EXECUTION OF INSTRUMENTS

5.01. Signatory Officers.

The board of directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute any corporate instrument or document, or to sign the corporate name without limitation, except where otherwise provided by

law, and such execution or signature shall be binding upon the corporation.

VI. ISSUANCE AND TRANSFER OF MEMBERSHIP INTERESTS

6.01. Class A and Class B Memberships.

All membership interests issued for domestic use shall be Class A memberships. All membership interests issued for irrigation or other commercial use shall be Class B memberships.

6.02. Issuance.

The service area of the corporation shall be the property described in Exhibit "A" attached hereto. One membership interest in this corporation shall be issued without cost to the owner or owners per five acres (excluding public roads) for each lot or parcel. Acreage shall be rounded to the nearest multiple of five acres, except that each lot owner shall receive at least one membership interest.

The issuance of one membership interest per lot or parcel is intended to satisfy all requirements that there be a reasonable relationship between each unit of securities to be issued and each unit of the area to be served. However, the rate structure to users shall bear a reasonable relationship to the cost of furnishing water, and shall require that unimproved lots or parcels shall bear an appropriate share of the costs of maintaining the water system, and nothing herein shall prevent the establishment of a rate structure which does not result in assessments on a "per-membership interest basis."

6.03. Transfer.

Except as provided in Section 331 of the Civil Code of the State of California, membership interests shall not be transferred without the lot to which it is appurtenant.

6.04. Certificates.

The certificates of membership shall be in such form and device as shall be provided by the board of directors and shall fully comply with the provisions of the Corporations Code of the State of California. The certificates shall be signed by the president, or the vice president, and by the secretary, or the assistant secretary, and the

seal of the corporation shall be affixed thereto. Each certificate shall specify that it is appurtenant to a lot or parcel and shall specify the lot or parcel.

VII. USE OF WATER

7.01. Priority of Class A Members.

Water shall not be available to a Class B member unless the board of directors determines that the water needs of all Class A members will be adequately met at the time in question and in the future.

7.02. Nature of Use.

The Class A members may use water supplied by the corporation for normal household purposes, and for any extraordinary purpose as approved by the board of directors. The Class B members may use such water for irrigation or other commercial purposes, provided that the board of directors determines that there is sufficient water for the Class A members at the time in question and in the future.

VIII. RATES AND ASSESSMENTS

8.01. Rates and Assessments.

The board of directors shall, from time to time, establish a rate structure to users of water delivered by the corporation which will result in the accumulation and maintenance of a fund for the replacement of its facilities and bear a reasonable relationship to the cost of furnishing water, and providing that unimproved lots and parcels shall bear an appropriate share of the costs of maintaining the system. Assessments for water used for nondomestic purposes, such as irrigation of a vineyard, shall be based on the amount of water actually used, as opposed to acreage or number of membership interests.

8.02. Patronage Refunds.

In furnishing services substantially at cost, the corporation shall use its income solely for paying losses, expenses, debt retirement, accumulation of a facilities and equipment replacement or expansion fund, accumulation of a reasonable fund for future losses and expenses, and such other purposes as are allowed by the articles of incorporation of the corporation. Any excess income not used for the foregoing purposes shall be distributed to members as

patronage refunds in proportion to their patronage or business done with the corporation. When the corporation retains income for the foregoing purposes, it must maintain records sufficient to reflect the equity of each member in the assets acquired with the funds. Upon dissolution of the corporation, gains from the sale of appreciated assets shall be distributed to persons who were members during the period the assets were owned by the corporation, in proportion to their patronage or business done with the corporation. Notwithstanding any provision in these bylaws to the contrary, but subject to Section 7341 of the California Corporations Code, a member's right to the proceeds of appreciated assets described in the preceding sentence shall not be forfeited upon the member's withdrawal or termination of membership in the corporation.

8.03. Default.

If any assessment bill is not paid within 30 days of the date on which it is mailed or delivered, then, or at any time during such default, the board of directors, subject to the requirements of Section 7341 of the California Corporations Code, in addition to any other remedies the corporation may have, may suspend or deny the right of the defaulting member to receive water, and may cause the membership interest to be forfeited.

IX. RECORDS AND REPORTS

9.01. Inspection of Books and Records.

All books and records provided for by statute shall be open to inspection of the directors and members from time to time and to the extent expressly provided by statute, and not otherwise.

9.02. Annual Report.

The board of directors shall cause an annual report to be sent to the members not later than 120 days after the close of the fiscal year.

9.03. Closing Stock Transfer Books.

The board of directors may close the transfer books in their discretion for a period not exceeding 50 days preceding any meeting, annual or special, of the members, or the day appointed for the payment of a dividend.

X. AMENDMENT OF BYLAWS

10.01. Amendment by Shareholders.

The bylaws may from time to time, and at any time, be amended, altered, repealed, and new or additional bylaws may be adopted by the vote of the members entitled to exercise a majority of the voting power of the corporation.

10.02. Amendment by Directors.

Subject to the right of the members to amend as provided in 10.01, above, the bylaws may be amended, altered, repealed, and new or additional bylaws may be adopted by a majority vote of the directors present at any meeting of the board at which a quorum is present, provided, however, that the board of directors may not adopt a bylaw or amendment thereof changing the authorized number of directors.

EXHIBIT "B"

Number _____

CERTIFICATE OF MEMBERSHIP

BUZZTAIL WATERWORKS

1980
SACRAMENTO OFFICE

(A Nonprofit Mutual Benefit Corporation)

Incorporated Under the Laws of the State of California

November 25, 1980

THIS CERTIFIES THAT _____ is a member of

BUZZTAIL WATERWORKS

a nonprofit mutual benefit corporation, and each such member by the acceptance of this Certificate of Membership in said Corporation does hereby agree to be bound by the now existing or hereafter adopted terms and provisions of the Articles of Incorporation and Bylaws of this Company.

This Certificate represents _____ Membership Interest(s) in said Corporation.

The Membership Interest evidenced by this Certificate is appurtenant to that certain portion of the property in the County of Butte, State of California, to-wit:

_____ and upon the sale, exchange, or transfer of said property, the Membership Interest evidenced hereby shall pass to and vest in the purchaser or transferee, and the Transferor of such property shall surrender this Certificate to the Secretary of this Corporation for the issuance of new Certificate of Membership to the purchaser or transferee, all in accordance with and subject to each of the terms and conditions of the Bylaws of this Corporation. This Certificate entitled the holder or holders thereof to one vote regardless of the number of owners thereof.

The Membership Interest represented hereby is fully assessable pursuant to the Bylaws of the Corporation and the Corporations Code, and other laws of the State of California.

IN WITNESS WHEREOF, BUZZTAIL WATERWORKS has caused this Certificate to be signed by its duly authorized officers and its corporate seal to be hereunto affixed this _____ day of _____, 19_____.

BUZZTAIL WATERWORKS

By _____
President

By *Alan Ferris*
Secretary