

REVISITED BY-LAWS
OF
VAUGHN WATER COMPANY, INC.
(As Last Amended April 5, 2005)

ARTICLE 1
OFFICES

Section 1: Principal Office. The principal office for the transaction of the business of the Corporation is hereby affixed and located in the county of Kern, 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.

Section 2: Other Offices. Board of Directors at any place or places where the Corporation is qualified to do business.

ARTICLE 2
MEETINGS OF SHAREHOLDERS

Section 1: Place of Meeting. All annual and other meetings of the Shareholders shall be held at the principal office of the Corporation, or at any other place within the County of Kern which may be designated by the Board of Directors pursuant to the authority hereinafter granted said Board.

Section 2: Annual Meetings. The annual meeting of the Shareholders shall be held on the third Tuesday in February of each year at 7:30 p.m. of said day; provided, however, that should said day fall upon a legal holiday, then any such annual meeting of the Shareholders shall be held at the same time and place at the next day thereafter ensuing which is not a legal holiday. (as amended March 6, 1989)

Notice of the time and place of the annual meeting shall be provided in the same manner as prescribed by Section 3 of this Article for special meetings.

Section 3: Special Meetings. Special meetings of the Shareholders for any purpose or purposes whatsoever, may be called at any time by the President or by the Board of Directors or by the Shareholders holding not less than ten percent (10%) of the voting power of the Corporation. Written notice of such meeting shall be given to each Shareholder entitled to vote, either personally or by mail or other means of written communication, charges prepaid, addressed to such Shareholder at his address appearing on the books of the Corporation or given by him to the Corporation for the purpose of notice. If a Shareholder gives no address, notice shall be deemed to have been given if sent by mail or other means of communication addressed to the place where the principal office of the Corporation is situated, or is published at least once in some newspaper of general circulation in the County in which said office is located. All such notices shall be sent to each Shareholder entitled thereto or published at least once in some newspaper of general circulation in the County of Kern, not less than ten (10) days, or if sent third-class, thirty (30) days, nor more than sixty (60) days before each such meeting and shall

specify the place, the day and hour of such meeting, and shall also state the general nature of the business to be transacted, and such other matters, if any, as may be expressly required by statute.

Section 4: Quorum. Holder of twenty percent (20%) of the total number of outstanding shares, present in person or by proxy, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person or by proxy may adjourn the meeting from time to time without further notice.

Section 5: Voting. Subject to the provision of sections 702 through 704, inclusive, of the California Corporation's Code, only persons who are listed on the stock records of the Corporation, thirty (30) days before the Shareholders' meeting, can vote at the meeting. Such vote may be by voice or by ballot. At all Shareholders' meetings, each outstanding share shall be entitled to one vote.

Section 6: Shareholder. A Shareholder, for the purposes of these By-laws, shall be the person, persons, or entity which is listed on the record of shares kept by the Vaughn Water Company. If the records indicate more than one person or entity on a share certificate, such persons and/or entities shall only be entitled to one vote per share. If additional votes are received from such persons or entities listed as Shareholders on the same certificate, all of said votes shall be declared null and void. However, if the ballots received from separate persons or entities, listed as Shareholders on the same certificate, are identical, only one vote per share shall be counted for the purposes of the election contest.

Section 7: Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by written proxy executed by such person and filed with the Secretary of the Corporation. No proxy shall be valid after 11 months from the date of its execution, unless otherwise provided in the proxy. In order for a proxy to be valid, it must be filed at the Corporation's office no later than ninety-nine (99) hours before any annual or special meeting at which such proxy is to be relied upon for purposes of validating the proxy.

Section 8: 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 the Shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by shareholders holding greater than fifty percent (50%) of the outstanding shares entitled to vote with respect to the subject matter thereof.

ARTICLE III

DIRECTORS

Section 1: Powers. Subject to limitations of the Articles of Incorporation, of the By-laws, and California general corporation laws as to actions which shall be authorized or approved by the Shareholders and subject to the duties of the directors as prescribed by the By-laws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be conducted by the Board of Directors. Without prejudice to such powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers, to wit:

- (a) To select and remove all officers, agents and employees of the Corporation, not elected by the Shareholders, to prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the By-laws, to fix their compensation, and require from them security for faithful service.

- (b) To conduct, manage and control the affairs and business of the Corporation and to make such rules and regulations therefore not inconsistent with law, or with the Articles of Incorporation or By-laws, as they may deem best.
- (c) To call special meetings of the Shareholders when they deem it necessary. They shall call a meeting at any time, upon request of ten percent (10%) of the stockholders.
- (d) To incur indebtedness in an amount not to exceed twenty-five percent (25%) of the capitalization of the Corporation. The Board of Directors may only incur indebtedness in excess of twenty-five percent (25%) of the capitalization of the Corporation with approval of the stockholders at the annual or duly called special meeting. The terms and amounts of indebtedness shall be authorized by the Board of Directors and entered in the minutes of the Board, and the notes, mortgages or obligations given for the same shall be signed officially by the President and Secretary in accordance with such authorization, shall be binding upon the Corporation.
- (e) To change the principal place of office for the transaction of the business of the Corporation from one location to another within the same county; to fix and locate from time to time one or more subsidiary offices of the Corporation within the County of Kern; to designate any place within the County of Kern for the holding of any Shareholders' meetings including annual meetings; and to adopt, make, and use a corporate seal and to prescribe the forms of certificate of stock to alter the form of said seal and such certificates from time to time, as in their judgment they may deem best; provided such seal and certificate shall at all times comply with the provisions of law.

Section 2: Number and Qualifications of Directors. The authorized number of directors shall be five (5) until changed by amendment or the Articles of Incorporation or by a By-law duly adopted by the Shareholders amending this section. Each director shall be a Shareholder of the Corporation.

Section 3: Election and Term of Office. The Shareholders shall elect members of the Board of Directors at the annual Shareholders' meeting, but at each annual meeting that is not held or the directors are not elected thereat, the directors may be elected at any special meeting held for that purpose. At the end of each term, a successor shall be elected for a term of three (3) years.

Section 4: Vacancies. The vacancies 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, and each director so elected shall hold office for the duration of the unexpired term to which he is appointed until his successor is appointed at an annual or special meeting of the stockholders. 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 who 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 5: Announcement of Candidacy. Any shareholder desiring to become a candidate for director shall, thirty (30) days prior to the election, file a written statement at the Corporation's office with the Secretary-Treasurer of the Corporation, substantially as follows:

"I, _____, do hereby declare myself a candidate for director of the Vaughn Water Company, Inc. and request my name be placed on the ballot of said Company, for the election to be held February __, 20__."

A candidate for director who has not filed a declaration of candidacy may be elected if the candidate received the highest number of votes for the Board position sought. The votes for such candidate may be by write-in on a duly authorized proxy, by voice vote at the meeting or by write-in ballot at the meeting.

Section 6: Taking Office. Directors shall take office immediately after election or appointment and shall hold office for three (3) years, except as otherwise provided herein, or for such shorter period as they may have been appointed, and until their respective successor shall have been elected.

Section 7: 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 for the ensuing year, and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 8: Compensation. The compensation for the directors shall only be fixed at an annual meeting.

Section 9: Place of Meeting. Regular meetings of the Board of Directors shall be held any place within the County of Kern which has been designated from time to time by resolution of the Board or written consent of all members of the Board of Directors. In the absence of such designation, the meeting shall be held at the principal office of the Corporation. Special meetings of the Board may be held either at the place so designated or at the principal office.

Section 10: Regular Meetings. The regular meetings of the Board of Directors shall be held without call on the first Tuesday of each and every month, at 7:30 p.m. of said day; provided, that should said date fall upon a legal holiday, then said meeting shall be held at the same time on the next day thereafter which is not a legal holiday. Notice of all such meetings of the Board of Directors is hereby dispensed with.

Section 11: Special Meetings. Special meetings of the Board of Directors for any purpose or purposes shall be called at any time by the President, or if he is absent or unable or refuses to act, by the Vice-President or by any two (2) members of the Board of Directors.

Special meetings of the Board shall be held upon four (4) days' notice by mail or forty-eight (48) hours' notice given personally or by telephone, including a voice message system, telegraph, facsimile, electronic mail, or other electronic means. Any such notice shall be addressed or delivered to each director at such director's address as it is shown upon the records of the Corporation or as may have been given to the Corporation by the director for purposes of notice or, if such address is not readily ascertainable, at the place in which the meetings of the directors are regularly held.

Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mail, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving notice has reason to believe will promptly communicate it to the recipient.

A 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 unless specifically required by law or by the By-laws.

Section 12: Quorum. A majority of the authorized members of the Board 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 the majority of the directors present at a meeting duly held at which a quorum is 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.

Section 13: Adjournment. A quorum of the directors may adjourn any Director's meeting to meet again at a stated day and hour. However, in the absence of a quorum, the majority of the directors present at any Director's meeting, either regular and/or special may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 14: Indemnification of Directors and Officers. Each Director and Officer, whether or not then in office, shall be indemnified by the Corporation against all liabilities, costs, and expenses reasonably incurred by or imposed upon him in connection with or arising out of any action, suit, or proceeding in which he may be involved or to which he may be made a party by reason of his having been made a director or officer of the Corporation. Such expenses shall include the costs of reasonable settlement made with a director or officer for settlements or compromises which substantially exceed the cost which would reasonably be incurred if the case was brought to a final conclusion. In no event shall the Corporation indemnify any director or officer against any liability or expense which, at the time of the indemnification, would be unlawful. Further, the Corporation shall not indemnify an officer or director for any liability or expense arising out of any willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of the director or officer's office. The foregoing right of indemnification shall not be exclusive of any other right to which a director or officer may be entitled to as a matter of law.

Section 15: Limitation of Powers.

- (a) Neither the Board of Directors nor any officer of this Corporation shall have any power or authority to engage in any business on behalf of the Corporation save and excepting only the development or acquisition of water for the use of all of its stockholders, the operation, maintenance, repair and renewal of the domestic water system to be acquired by this Corporation and the distributing, supplying and the delivering of water for domestic uses, from the wells and other sources of this Corporation by and through said system, to the owners of its capital stock and to no other persons, except and to the extent such other persons, entities, or governmental agencies, pursuant to Public Utilities Code Section 2705 are permitted to be served by a mutual water company, but only to the extent expressly so authorized by the Board of Directors, and the entire business carried on by this Corporation shall be for the mutual benefit of its stockholders. Any contract or agreement made or entered into by said Board or Officers of this Corporation other than for the purpose of carrying on the business authorized by these By-laws shall be void.
- (b) No Director or member of the Directors' immediate family may be employed as a salaried employee by the Corporation during the Director's term in office or before the expiration of his term.

Section 16: Miscellaneous Duties. It shall be the duties of the Directors:

- (a) To cause to be kept a complete record of all of their minutes and acts, and of the proceedings of the Shareholders, and present a financial statement at the annual meeting of the Shareholders, showing in detail the assets and liabilities of the Corporation and

generally the condition of its affairs. Said financial statement shall also be available to shareholders at the principal office of the Corporation, and in any event shall be available within 105 days following the proceeding calendar year.

- (b) To issue or cause to be issued at any time, and from time to time, certificates of stock, in accordance with Article V.

Section 17: Rights of Inspection. 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. Such inspection by a director may be made in person or by agent or attorney and includes the right to copy and obtain extracts.

Section 18: Committees. The Board may designate one or more committees, each consisting of two or more directors, and delegate to such committees any of the authority of the Board except with respect to:

- (a) The approval of any action for which the general corporation law also requires Shareholders' approval or approval of the outstanding shares;
- (b) The filling of vacancies on the Board or in any committee;
- (c) The fixing of compensation of the Directors for service on the Board or on any committee;
- (d) The amendment or repeal of By-laws or the adoption of new By-laws;
- (e) The amendment or repeal of any resolution of the Board by which its expressed terms is not so amendable or repealable; or
- (f) The appointment of other committees of the Board or the members thereof.

Any such committee must be appointed by resolution adopted by a majority of the authorized number of directors and any such committee may be designated an Executive Committee or by such other name as the Board shall specify. The Board may designate one or more directors as alternative at any meeting of the committee. The appointment of the members or alternate members of a committee requires the vote of a majority of the authorized number of directors. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which the proceedings shall be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meeting and other actions of any such committee shall be governed by the provisions of this Article applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee.

ARTICLE IV

OFFICERS

Section 1: Officers. The officers of the Corporation shall be a President and Vice-President, which officer shall be elected and hold office at the pleasure of the Board of Directors, and a Secretary-Treasurer and Chief Financial Officer (herein called "Secretary-Treasurer"), appointed at the pleasure of the Board.

Section 2: Election of Officers and Term of Office. At the first regular meeting of the Board of Directors immediately following the election of directors (organizational meeting), the directors shall elect and/or appoint the officers for the ensuing year. Following their election or appointment each

year, each officer of the Corporation shall hold his office until he shall resign or until he shall be removed or otherwise disqualified to serve or his successor shall be elected and qualified.

Section 3: Removal or Resignation. Any officer may be removed, either with or without cause, by a majority of the Directors at any meeting. When an officer has been chosen by the Board of Directors, the Board can confer the power of removing that officer on any officer or Board Committee.

Any officer may resign at any time by giving written notice to the Board of Directors or to the President, or to the Secretary-Treasurer of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified herein, the acceptance of said resignation shall not be necessary to make it effective.

Section 4: Vacancies. Vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in the By-laws for regular appointment of such office.

Section 5: President. The President shall be the chief executive officer of the Corporation and shall, subject to control of the Board of Directors, have general supervision, directing and control of the business and officers of the Corporation. He shall preside at all meetings of the Shareholders, and of the Board of Directors, and shall have the casting vote. He shall be ex-officio a member of all committees, and shall have the general powers and duties of management usually vested in the office of the President of a Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or by the By-laws. He shall also:

- (a) Sign as President, all certificates of stock, and all contracts and other instruments of writing which have been first approved by the Board of Directors, and may sign checks drawn upon the Corporation.
- (b) Call the directors together whenever he deems it necessary, and shall, subject to the control of the Directors, have direction of the affairs of the Corporation, and generally shall discharge such other duties as may be required.
- (c) The President or any two of the directors, may call a special meeting of Directors at any time, and notices, as required by the By-laws, shall be given of such meetings.

Section 6: Vice President. In the absence or disability of the President, the Vice-President shall perform all the duties of the President, and when so acting, shall have all the powers of, and be subject to all restrictions upon the President. The Vice-President shall have such other powers and perform such other duties as from time to time may be prescribed for him respectively by the Board of Directors or the By-laws.

Section 7: Secretary-Treasurer. It shall be the duty of the Secretary-Treasurer to perform the following duties and/or oversee the performance of such duties by the Corporation's staff:

- (a) Keep the minutes of the meetings of the stockholders and of the Board in one or more books provided for that purpose;
- (b) Keep the corporate seal of the Corporation and a book of blank certificates of stock, to fill in and counter-sign all certificates of stock issues, to make the corresponding entries in the margin of such book upon issuance, and he shall affix the corporate seal upon all papers requiring the seal;
- (c) Keep a proper transfer book and a stock ledger in debit and credit form, showing the number of shares issued to and transferred by any shareholder, and the dates of such issuance and transfer, including the names and addresses of all stockholders;
- (d) Keep proper account books, and may counter-sign all checks drawn on the Corporation;

- (e) Provide and serve all notices required by law and by the By-laws of the Corporation, and in case of his absence, inability, refusal, or neglect to act, then such notices may be served by any person thereunto directed by the President or Vice-President of the Corporation;
- (f) Deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors.
- (g) Prepare and present a summary of the transactions of the Corporation at each regular meeting of the Board of Directors, and other financial information as may be requested by the Board of Directors;
- (h) Keep all books, records and such papers as may be placed on file by the vote of the stockholders or directors at the principal office of the Corporation or at such other place as the Board of Directors may order, and said books, papers, and files shall be at all times during business hours subject to inspection of the Board of Directors and of any shareholder;
- (i) Such other duties as may be prescribed by the Board of Directors or these By-laws.

Section 8: Signatories for Bank Accounts. No funds of the Corporation shall be dispersed except by check countersigned by such directors and/or staff as the Board of Directors may authorize from time to time.

ARTICLE V

STOCK

Section 1: Issuance. No shares of stock of this Corporation shall be issued, nor shall certificates for shares be transferred, to any person other than an owner of lands included in or a part of the following described lands, to wit:

Any lands within the County of Kern, but not within the limits of an incorporated city as of January 19, 1982.

Said shares of stock shall be issued on the basis of one share of stock for each front foot; provided, however, in the case of lots which are either of irregular shape or deep (in the sole judgment of the General Manager) then stock shall be issued from and after February 21, 1984, on the basis of one share per 200 square foot within the lot; provided further, however, in the case of property uses other than single family dwellings (such as multiple dwelling structures, mobile homes, condominiums, commercial uses, etc.) the Board of Directors may establish some other objective basis for issuance of stock on a case-by-case basis.

All shares of stock shall be appurtenant to the land described in the certificate issued therefor, and shall only be transferred with said land, and shall pass as an appurtenance thereto.

Section 2: Certificates. Certificates of stock shall be of such form and device as the Board of Directors may order, and each certificate shall be signed by the President and counter-signed by the Secretary-Treasurer, and have imprinted thereon the corporate seal of the Corporation, and express on its face its number, date of issuance, and number of shares, and the lands to which said shares are appurtenant shall be described, therein, or endorsed thereon, and a recital shall be included therein, or endorsed thereon, that such shares are appurtenant to the lands therein described. Certificates shall only be issued upon the affected landowner paying for said shares of stock and otherwise complying with terms and conditions of any agreement under which the Board of Directors conditions issuance of

shares to said landowner and issuance of such shares being approved by the California Department of Corporations. As a convenience to the Corporation and shareholders, and to avoid the need for further action upon transfer of property to which shares are appurtenant, the Corporation will retain all certificates of stock issued and maintain a listing of shareholders, certificate number and shares issued for each such certificate.

Section 3: Rejection. The Board of Directors may reject any application for stock where the issuance of said stock will subject the Corporation to an expense for labor and material in the amount greater than the price of said stock.

Section 4: Assessments. Assessments may be made by the Board of Directors of the Corporation on all or a group of the shares outstanding, including shares appurtenant to vacant lots, to pay all costs and expenses for maintaining, repairing, replacing, and enlarging the water system or systems owned by the corporation and/or acquiring water supplies.

Section 5: Enforcement of Assessments. The Corporation may bring suit in, its own name, against any shareholders who are delinquent in payment of any assessment, water charge or other debt to the Corporation. Any such delinquency shall accrue interest at a rate of one percent (1%) per month until paid in full. Additionally, absent arrangements being made with the General Manager for late payment, the Corporation shall shut off and withhold water from any shareholder or non-shareholder provided with water service in accordance with these By-laws who is delinquent in payment of any assessment, water charge, or any other debt whatsoever, until the debt or assessment has been paid in full (including interest from the date of delinquency). In addition to remedies the Corporation may have against a former shareholder, unpaid assessments, water charges or other debts relating to providing water service shall be an obligation appurtenant to the land authorized to receive service and therefore any successive owner of a parcel for which there remains an outstanding delinquency may, as determined by the Board of Directors, be required to pay for any such delinquency prior to the Corporation restoring water service.

Section 6: Transfers. Whenever property to which shares of stock are appurtenant is transferred, the party to whom the same shall be so transferred must produce his deed to the property upon which said shares are appurtenant, to the Secretary-Treasurer of the Corporation, and such transfer shall be entered upon the books of the Corporation, to reflect the new owner of the property as the owner of such shares. At the same time, said purchaser of said land and water stock shall assent to the By-laws of this Corporation and agree to be bound by all rules and regulations contained therein. Copies of said By-laws shall be made available to all shareholders at the place of business of the Corporation.

Section 7: Government Lands. No shares of stock shall be issued for any lands owned by any local, State, or Federal governmental agency. Any governmental agency owning lands within Vaughn service boundaries and meeting the requirements for service set forth in these By-laws and the Company's policies and standards which requests service from the Corporation shall be provided service in accordance with the Articles and By-laws and rules of the Corporation, and in accordance with section 7205 of the California Public Utilities Code.

ARTICLE VI
SEAL

The Corporation shall have a corporate seal consisting of a circle, having on its circumference the words, in bold face "Vaughn Water Company", and the date of its incorporation.

ARTICLE VII

WATER REGULATIONS AND RULES

Section 1: General Manager's Duties. A General Manager shall be appointed by the Board of Directors and shall be removed at their pleasure. It shall be his duties:

- (a) To take charge of all of the operating property of said Corporation, and to control all labor, and distribution of water, but at all times subject to the control of the President and Board of Directors, and to the rules and regulations herein contained.
- (b) He shall be responsible to the Corporation for all such property and shall report to the Board of Directors monthly, orally and/or in written form, the status of operations of the Corporation and expenses and receipts of the Corporation for the month prior to the preceding month.
- (c) He shall make requisition for all necessary supplies, materials, and services consistent with policies adopted by the Board of Directors.
- (d) He shall perform all duties required by the President or Board of Directors.

Section 2: Rules.

- (a) The amount of water produced by the Corporation is that amount which is pumped out of the ground by the Corporation or otherwise acquired by the Corporation. Said amounts shall be delivered to the stockholders for use by the stockholders.
- (b) Water may be accumulated or stored for the benefit of the stockholders and to facilitate distribution.
- (c) Charges for water service shall be at a rate fixed by the Board of Directors from time to time. The Board may make special rates for the water used by stockholders for different purposes, including rates for unimproved lots. The rate structure established by the Board of Directors shall result in accumulation and maintenance of a fund for repair and replacement of the Corporation's water supply and distribution facility.
- (d) The stockholders of the Corporation shall only use the water delivered by the Corporation on lands specified in the shareholder's Certificate of Stock. Said Certificate of Stock shall be appurtenant to the land described therein.
- (e) All water bills shall be paid promptly by the stockholders. The Corporation shall discontinue service to any stockholders whose water bill has not been paid within seventy-five (75) days of the mailing of said bill by the Corporation. Such discontinuance shall continue until all delinquent bills are paid in full by the shareholder.

In the event service is discontinued to any shareholder for the nonpayment of any bill, the shareholder shall pay a reconnection fee before service can be restored, and said reconnection fee shall be charged by the Corporation in addition to any delinquent amounts. Said reconnection fee shall be charged in accordance with the rate established by the Corporation to reflect the costs associated with restoring discontinued service. Said reconnection fee may include a higher charge for service restoration occurring outside of normal business hours and/or days of the Corporation.

- (f) As further described in Article V, Section 5, the shareholder or non-shareholder provided with service in accordance with these By-laws shall assume full responsibility for the payment of all bills for water service furnished by the Corporation to the tenants, assigns or lessees of the shareholder or non-shareholder, as the case may be. As provided further at Article V, Section 5, such obligations are appurtenant to the land entitled the service and therefore, may likewise be an obligation on successive landowners of the affected parcel.
- (g) Whereas the water delivered by the Corporation is for the benefit of all shareholders, any shareholder who wastes water shall, at the discretion of the Board of Directors, have service terminated until such time that the shareholder can make reasonable assurances to the Corporation that the delivered water shall not be wasted.
- (h) The Corporation shall have the authority to provide services to non-stockholders only as provided in Article III, Section 15(a) above. Receivers of said services must pay the same rates as stockholders receiving similar services, along with any additional expenses incurred by the Corporation in providing those services, all consistent with then applicable Board policies.
- (i) Any violation of these By-laws by a shareholder shall subject said shareholder to a discontinuance of service by the Corporation until said shareholder shall pay the Corporation a sum not to exceed One Hundred Dollars (\$100.00) for said violation. The Board of Directors may waive all or part of such payment.

Section 3: Grant of Ingress and Egress to Shareholder's Land. Each shareholder at the time of issuance of stock expressly grants to the Corporation the right of ingress and egress upon such shareholder's appurtenant property for the purpose of connecting and, where necessary, cutting off the Corporation's main line stops to or from the curb stop on such Shareholder's property and further for the maintenance and service of the Corporation's lines and stops whenever and wherever necessary.

Section 4: Control on Backflow and Cross-connections. The Board has adopted a policy with respect to controls on back-flows and cross-connections set forth in Resolution 3-6-89-1, a copy of which is on file at the District's office. The policy shall be binding upon each and every Shareholder and customer of the Corporation and as therein provided may result in the termination of water service if said policy is not fully complied with.

ARTICLE VIII AMENDMENT OF BY-LAWS

Section 1: Except as otherwise provided by law or by the Articles of Incorporation, new By-laws may be adopted or these By-laws may be amended or repealed by the vote or the written assent of the Shareholders entitled to exercise a majority of the voting power of the Corporation.

Section 2: Subject to the Right of the Shareholders to adopt, amend or repeal By-laws, as herein above provided, By-laws other than a By-law or amendment thereof changing the authorized number of Directors, may be adopted, amended or repealed by the Board of Directors.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of Vaughn Water Company, a California Corporation; and
2. That the foregoing Revised By-laws comprising 15 pages constitute the By-laws of said Corporation as duly adopted at a meeting of the Board of Directors thereof duly held on October 1, 2002.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Corporation this 3 day of October, 2002.


Secretary-Treasurer