

BYLAWS

OF

SANTA PAULA BASIN PUMPERS ASSOCIATION, INC.,

A California Nonprofit Mutual Benefit Corporation

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A California Nonprofit Mutual Benefit Corporation

ARTICLE I

NAME

Section 1.01. Name. The name of this corporation is "Santa Paula Basin Pumpers Association, Inc." ("Corporation").

ARTICLE II

OFFICES

Section 2.01. Principal Office. The principal office for the transaction of the activities and affairs of the Corporation ("principal office") is located at 1141 Cummings Road, Santa Paula, Ventura County, California. The Board of Directors ("the Board") may change the principal office from one location to another. Any change of location of the principal office shall be noted by the Secretary on these Bylaws opposite this section, or this section may be amended to state the new location.

Section 2.02. Other Offices. The Board may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to conduct its activities.

ARTICLE III

PURPOSES AND LIMITATIONS

Section 3.01. Purposes. This Corporation is a nonprofit mutual benefit corporation organized under the California Nonprofit Mutual Benefit Corporation Law. Subject to any restrictions that may be provided in these Bylaws and the Corporation's Articles of Incorporation, the purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under such law. The sole purpose of the Corporation shall be to preserve, administer and promote the common business interest its members have in the stipulated judgment concerning the use and management of groundwater within the Santa Paula Groundwater Basin ("Basin"), to be entered in the Ventura County Superior Court in the matter of United Water Conservation Dist. v. City of San Buenaventura, Case No. 115611, and as may

be amended by the court from time to time ("Judgment"). By manner of elaboration and not in limitation thereof, the Corporation shall be vested with all necessary powers to meet its stated purpose, specifically including all powers to:

1. Develop, adopt and enforce rules, regulations and monitoring programs necessary to implement the Judgment;
2. Engage legal counsel and technical experts as necessary to implement and enforce the Judgment and initiate and prosecute legal action(s) as necessary to protect the members' rights under the Judgment and to the Basin groundwater;
3. Appoint and advise the Corporation's representative(s) to the Technical Advisory Committee as set forth in the Judgment;
4. Represent the Corporation's members before the court and other parties to the Judgment with respect to matters related to enforcement and implementation of the Judgment;
5. Engage in transactions necessary to protect and represent its members' common interest in ongoing implementation of the Judgment, however, the Corporation will not engage in any regular business transactions of a kind ordinarily carried on for profit except to the extent said transaction is necessary to protect the members' interest in the Judgment; and
6. Make assessments and collect from its members, or borrow or loan money on behalf of its members, in amounts necessary to meet current and reasonably anticipated expenses and otherwise carry out its stated purpose at actual cost plus necessary expenses. The Corporation shall not generate income other than that necessary to meet current and future anticipated expenses; no portion of the income attributable to the Corporation will inure to the benefit of any member or individual.
7. Resolve disputes between members to avoid unnecessary litigation concerning the method and use of groundwater extracted from the Basin.
8. Provide for orderly compliance with any existing or future limitations on the total amount of groundwater extractions from the Basin by the members and to provide for individual and collective reductions in groundwater use and/or modification of individual or collective methods of use if necessary to comply with the Judgment.

9. Representation of the members in obtaining judicial review and/or redress of any injury suffered by a member as a result of groundwater extractions carried out by the City of San Buenaventura or its agents.

Section 3.02. Limitations.

a. Political Activity. No part of the activities of this Corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in or intervene in (including the publishing or distributing of statements in connection with) any political campaign on behalf of any candidate for public office.

b. Property. The property, assets, profits and net income are dedicated irrevocably to the purposes set forth in Section 3.01 above. No part of the profits or net earnings of this Corporation shall ever inure to the benefit of any of its directors, trustees, officers, members, employees, or to the benefit of any private individual.

c. Dissolution. In the event of dissolution of the Corporation, each member, including former members, shall receive their proportionate share of the Corporation property and assets based upon patronage insofar as is practicable, after paying or providing for the payment of all debts of the Corporation.

ARTICLE IV

MEMBERSHIP

Section 4.01. Qualifications and Rights of Membership.

a. Classes and Qualifications. This Corporation shall have one (1) class of members. The memberships of this Corporation may be owned only by a person or entity who also owns a beneficial interest in a pumping allocation designated for use by a member of the Corporation and as further defined and set forth in paragraph 3(a) of the Decree section of the Judgment (“Groundwater Right”).

b. Voting Members.

(1) Members shall have voting rights and be entitled to vote in direct proportion to the number of memberships they own. Members shall own one membership for each acre-foot of water allocated to that member's interest under paragraph 3(a) of the Decree section of the Judgment. However, no fractional memberships or voting rights shall exist; any fractional right shall be rounded to the next highest whole number integer and that whole number right shall be the voting right attributable to that membership interest.

(2) Members shall be entitled to vote on the election of directors; on the disposition of all or substantially all of the assets of the Corporation; on any merger and its principal terms and any amendment of those terms; on any election to dissolve the Corporation; on an amendment to the

Articles of Incorporation, except as otherwise specified in the California Nonprofit Mutual Benefit Corporation Law; and on the adoption, amendment or repeal of these Bylaws, except as otherwise specified in the California Nonprofit Mutual Benefit Corporation Law. In addition, members shall have all rights afforded members under the California Nonprofit Mutual Benefit Corporation Law.

Section 4.02. Representation. Where the ownership of a membership is held by more than one person or by an entity other than a natural person, such owner or owners shall have on file with the Corporation at all times one natural person designated in writing for the following purposes:

- a. To vote and exercise all rights of membership;
- b. To receive all notices sent to the members;
- c. To otherwise represent the membership for any other purposes under these

Bylaws;

Any owner of an interest in a membership, even though not designated as the voting member, shall nevertheless be jointly and severally responsible for any assessments charged against the membership.

Section 4.03. Dues, Fees and Assessments. Each member must pay, within the time and on the conditions set by the Board, the dues, fees, and assessments in amounts to be fixed from time to time by the Board. The dues, fees, and assessments shall be equal for all members of each class and shall be in proportion to the number of memberships owned.

Section 4.04. Good Standing. Those members who have paid the required dues, fees, and assessments in accordance with these Bylaws and who are not suspended shall be members in good standing.

Section 4.05. Suspension of Membership.

a. **Causes of Suspension.** A membership shall be suspended on occurrence of any of the following events:

(1) Failure of the member to pay dues, fees, or assessments as set by the Board within the period of time set by the Board after they become due and payable;

(2) Occurrence of any event that renders the member ineligible for membership, or failure to satisfy membership qualifications; or

(3) A member may be suspended, under Section 4.05(b) of these Bylaws, based on the good faith determination by the Board, or a committee or person authorized by the Board to make such a determination, that the member has failed in a material and serious degree to observe the rules of conduct of the Corporation or has engaged in conduct materially and seriously prejudicial to the purposes and interests of the Corporation.

A person whose membership is suspended shall lose the privileges of membership, including voting rights, during the period of suspension. However, a person whose membership is suspended remains subject to all rules and regulations of the Corporation, including the Judgment, and the Corporation shall continue to have its full authority under its Articles of Incorporation, Bylaws and the Judgment, to act on behalf of or against the suspended member.

b. **Procedure for Suspension.** If grounds appear to exist for suspension of a member, the procedure set forth below shall be followed:

(1) The member shall be given fifteen (15) days prior notice of the proposed suspension and the reasons for the proposed suspension. Notice shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be sent by first-class or registered mail to the member's last address as shown on the records of the Corporation.

(2) The member shall be given an opportunity to be heard, either orally or in writing, at least five (5) days before the effective date of the proposed suspension. The hearing shall be held, or the written statement considered, by the Board or by a committee or person authorized by the Board to determine whether the suspension should take place.

(3) The Board, committee, or person shall decide whether or not the member should be suspended or sanctioned in some other way. However, the sanction or suspension of a member is not effective until the such suspension or sanction is validated by unanimous consent of the Board.

(4) Any action challenging a suspension or sanction of a member, including a claim alleging defective notice, must be commenced within one year after the date of the suspension or sanction.

Section 4.06. Transfer of Memberships. A membership or any right arising from membership may be permanently or temporarily transferred to another person or entity qualified to be a member, but only (1) in conjunction with the transfer of a beneficial interest in Groundwater Right, and only in a quantity equivalent to the amount of acre-feet of Groundwater Right transferred (rounded up to the nearest whole number); and (2) under the terms set forth herein and in the Articles of Incorporation of this Corporation.

a. Transfer of Membership Not Requiring Prior Corporate Approval.

Any membership may be transferred without the prior approval of the Corporation under the following conditions:

(1) Transfer to a current member in good standing, or

(2) Transfer to another person or entity qualified to be a member provided such transfer occurs in conjunction with, and as a part of, the transfer of an interest in land overlying the Basin together with appurtenant Groundwater Rights.

b. Transfer of Membership Requiring Prior Corporate Approval.

The transfer of any membership not described in Section 4.06(a) may be transferred to another person or entity qualified to be a member only under the following terms:

(1) The Corporation retains the right of first refusal before any membership may be transferred pursuant to this subsection. Every member, before selling or transferring any membership of the Corporation pursuant to this subsection, must first offer the memberships to the Corporation and then to the current members, in the following manner:

The offering member shall mail or personally deliver a written offer ("Member's Written Offer") to the Secretary of the Corporation, stating the number of memberships, the price, terms and conditions of the proposed sale or transfer, including the name of any proposed nonmember buyer and an affidavit stating that the proposed nonmember buyer does or will meet all prerequisites to becoming a member on or before the date the proposed sale will be consummated. The Corporation shall then have the right to purchase any or all of those memberships at the price and on the terms and conditions stated in the Member's Written Offer, by giving written notice to the offering member of its election to purchase a specified number of memberships. This notice shall be given by mail or personal delivery within thirty (30) days after the date of the Member's Written Offer, as that date is defined in subparagraph (7) of this subsection 4.06(b).

(2) If the Corporation fails to give notice of its election to purchase within the prescribed period, or if it elects to purchase fewer than all of the shares being offered, the Secretary of the Corporation, as soon as possible and in no event more than thirty-five (35) days after the date of the Member's Written Offer, as that date is defined in subparagraph (7) of this subsection 4.06(b), shall mail or personally deliver a copy of the offer together with a statement of the number of memberships not being purchased by the Corporation, to each outstanding member. Each of these members shall then have the right to purchase part or all of the available number of memberships at the price and on the terms and conditions stated in the Member's Written Offer, by giving the Secretary of the Corporation a written notice of intent to purchase. This notice of intent to purchase shall state the number of memberships that the member wishes to purchase, and shall be given by mail or personal delivery to the Secretary of the

Corporation within sixty (60) days after the date of the Member's Written Offer, as that date is defined in subparagraph (7) of this subsection 4.06(b).

(3) If the total number of memberships specified by the members in their respective notices of intent to purchase exceeds the number of available memberships specified in the Secretary's statement, each purchasing member shall be entitled to purchase that fraction of the number of memberships specified in the member's notice of intent to purchase that is equal to the number of the member's memberships with purchase rights under this article, divided by the total number of memberships with purchase rights held by all members who gave notice of intent to purchase.

(4) If fewer than all the memberships offered for sale by the Member's Written Offer is subscribed to under subparagraphs (1) and (2) of this subsection 4.06(b), each member who desires additional memberships shall be entitled to purchase that fraction of the memberships not subscribed to that is equal to the number of the member's memberships with purchase rights under this article, divided by the total number of memberships with purchase rights held by all members who desire to purchase the remaining memberships.

(5) If fewer than all the memberships specified by the selling member in the offer is subscribed to under subparagraphs (1) - (4) of this subsection 4.06(b) within the time periods specified for exercising the respective rights to purchase memberships granted by this article, the offering member shall not be required to sell the specified memberships to the Corporation or to any of the members pursuant to their respective notices of intent to purchase, but may dispose of all of the specified memberships to the proposed buyer specified in the Member's Written Offer to the Secretary of the Corporation within 120 days after the date of the written offer to sell, provided that such member shall not sell or transfer these memberships at a lower price or on terms less favorable to the seller than those specified in the Member's Written Offer to the Secretary.

(6) Unless otherwise prohibited by law or by these Bylaws or the Corporation's Articles of Incorporation, the Corporation may purchase its own memberships from any offering member; provided, however, that the Corporation shall not purchase all of its outstanding voting memberships.

(7) Each offer, notice, or statement provided for in this subsection shall be considered given when it is personally delivered to the person to whom it is to be given, or when it is deposited in the United States mail, by first-class mail, properly addressed to such person and with all postage or other charges fully prepaid.

(8) Each membership certificate of the Corporation shall bear the following legend:

"This certificate and the memberships evidenced by this certificate may only be sold, assigned, transferred, pledged, or otherwise disposed of in accordance with the provisions and limitations set forth in the Articles of Incorporation and Bylaws of this Corporation."

c. **Transfer Fees.** The Board may by resolution impose transfer fees or other conditions on any transferring party as it deems fit, provided those fees and conditions are the same for similarly situated members.

d. **Assessments and Credits.** The member of record at the time of assessment shall be responsible for any and all outstanding assessments, dues, fees, or liabilities associated with that member's memberships regardless of any sale or transfer of memberships

e. **Information re Transfer and Notices.** Within ten (10) days of the completion of any transfer of membership, the transferring party shall notify the Secretary of the Corporation in writing of the transfer and shall provide the following information:

- (1) the record date of the transfer of membership;
- (2) the name of the entity to which the membership was transferred;
- (3) the quantity of membership shares transferred;
- (4) whether the transfer is permanent or temporary, and if temporary, the date of the reversion of the membership to the transferring party;
- (5) the name and location of the well or wells that will extract the equivalent quantity of acre feet of Groundwater Rights transferred in conjunction with the membership transfer; and
- (6) the location of and purpose for which the groundwater produced pursuant to the Groundwater Rights will be used.

any accounts or reports or other communications required to be furnished to members under the terms of these Bylaws, the Articles of Incorporation, or by resolution of the Board shall be made to the member of record on the date the account or report is submitted to the membership, regardless of any transfers hereunder.

f. **Noncomplying Transfers Deemed Void.** Any sale or transfer, or purported sale or transfer, of the Corporation's memberships shall be null and void unless the terms, conditions, limitations, and provisions of the Articles of Incorporation and Bylaws of this Corporation are complied with.

Section 4.07 Water Shortages. The Judgment contemplates that upon its entry, an initial production allowance for the Basin will be used for a minimum of seven (7) calendar years. The total maximum use of all parties to the Judgment may be as high as 33,500 acre feet per year. However, of the 33,500 acre feet, only 30,500 will be allocated to the parties. Of the initial authorized extractions, the City of San Buenaventura will receive an allocation of approximately 3,000 acre feet and the total cumulative pumping allocation for the members during this initial seven (7) year period shall be 27,500 acre feet per annum. Following the entry of the Judgment there is the possibility that the Technical Advisory Committee will approve additional extractions by the members. There is also the possibility that following the conclusion of the seven-year period, from time to time, the production allowances for all parties, and specifically the members, will be subject to any adjustments that may affect the cumulative member allocation. In such a case, the following procedure shall govern reductions in water allocations and water use by the members:

a. **Reduction to 27,500 Acre Feet Shall be on a First in Time, First in Right Priority Basis.** In the event a member obtains an allocation to groundwater in excess of the pumping allocation awarded upon entry of the Judgment and which is also in excess of the initial cumulative allocation to the members of 27,500 acre feet, the member which received the allocation closest in time to the judicial determination to reduce extractions shall be the first to reduce its use. The principle of priority shall be first in time, first in right so long as the total member allocations are greater than or equal to 27,500 acre feet per year for all amounts of allocation in excess of 27,500 acre feet.

b. **Reductions Between 27,500 and 25,000 Acre Feet for the Corporation Shall be on a Proportionate Per Acre Foot Basis.** In the event of a court determination that a reduction in the total cumulative groundwater use by the members under the Judgment to an amount less than 27,500 acre feet and more than or equal to 25,000 acre-feet, the members shall reduce on a per acre foot basis in the same proportion as their individual cumulative allocation bears to 27,500. This method of reduction shall control until the cumulative groundwater use for all members equal to 25,000.

c. **Reduction Less Than 25,000.** If the court determines reductions in the cumulative water allocations to an amount less than 25,000 acre feet per year for all members of the Corporation is necessary, all members shall be required to demonstrate a minimum of eighty percent (80%) efficiency in their irrigation use. Any agricultural member not demonstrating eighty percent (80%) efficiency shall be required to achieve a minimum of eighty percent efficiency and/or they will be granted an allocation by the Corporation of no greater than their projected cumulative water demand estimated at eighty percent efficiency. If, after accounting for all efficiency reductions, further reductions are still required, the members shall be reduced on the same proportionate basis as provided in Section 4.07(b) above.

d. Water Shortage Share Redemption. If the Court shall order a reduction in the cumulative allocation to the members to an acre foot total less than the total number of issued shares upon entry of the Judgment (27,500), and the reduction is in place for more than any consecutive two-year period, any shares issued by the Corporation following the entry of the Judgment, shall be subject to redemption by the Corporation with no compensation being due the member.

Section 4.08. Meetings of Members.

a. Provisions of General Corporation Law Applicable. Except as otherwise provided in these Bylaws, and except where in conflict or inconsistent with these Bylaws, all provisions (whether mandatory or permissive) of Chapter 1 of Part 5 of the General Corporation Law, as now or hereafter existing, are approved, adopted and made applicable to the Corporation.

b. Place of Meeting. Meetings of the members shall be held at any place within the State of California designated by the Board. In the absence of any such designation, members' meetings shall be held at the principal office of the Corporation. Unless unusual conditions exist, members' meetings shall not be held outside Ventura County.

c. First Meeting. The first meeting of the members of the Corporation shall be held within ninety days (90) days after the Judgment is approved by the court.

d. Annual Meeting. An annual meeting of members shall be held on the fourth (4th) Thursday in May of each year at 2:00 p.m., unless the Board fixes another date or time and so notifies members as provided in Section 4.08(f) of these Bylaws. If the scheduled date falls on a legal holiday, the meeting shall be held the next full business day. At this meeting, directors shall be elected and any other proper business may be transacted, subject to the notice requirements of Section 4.08(f) of these Bylaws.

e. Special Meetings. A special meeting of the members may be called for any lawful purpose by a majority vote of the Board or by the President or by five percent (5%) or more of the membership. A special meeting called by any person(s) (other than the Board) entitled to call a meeting shall be called by written request, specifying the general nature of the business proposed to be transacted, and submitted to the Chairman of the Board, if any, or the President, Treasurer or the Secretary of the Corporation. The officer receiving the request shall cause notice to be given promptly to the members entitled to vote, in accordance with Section 4.08(f) of these Bylaws, stating that a meeting will be held at a special time and date fixed by the Board, provided, however, that the meeting date shall be least thirty-five (35) days but no more than ninety (90) days after receipt of the request. If the notice is not given within twenty (20) days after the request is received, the person or persons requesting the meeting may give the notice. Nothing in this Section shall be construed as limiting, fixing, or affecting the time at which a meeting of members may be held when the meeting is called by the Board.

No business, other than the business the general nature of which was set forth in the notice of the meeting, may be transacted at a special meeting.

f. Notice Requirements for Members' Meetings.

(1) **General Notice Requirements.** Whenever members are required or permitted to take any action at a meeting, a written notice of the meeting shall be given, in accordance with Section 4.08(f) of these Bylaws, to each member entitled to vote at the meeting. The notice shall specify the place, date, and hour of the meeting and, (1) for a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (2) for the annual meeting, those matters that the Board, at the time notice is given, intends to present for action by the members, but any proper matter may be presented at the meeting. The notice of any meeting at which directors are to be elected or written ballots distributed for the election of directors shall include the names of all persons who are nominees when the notice or the ballot is given.

(2) **Notice of Certain Agenda Items.** Approval by the members of any of the following proposals, other than by unanimous approval by those entitled to vote, is valid only if the notice or written waiver of notice states the general nature of the proposal or proposals:

- a. Removing a director without cause;
- b. Filling vacancies on the Board;
- c. Amending the Articles of Incorporation;
- d. Approving a contract or transaction between the Corporation and one or more directors, or between the Corporation and any entity in which a director has a material financial interest; or
- e. Electing to wind up and dissolve the Corporation.

(3) **Manner of Giving Notice.** Notice of any meeting of members shall be in writing and shall be given at least ten (10) days but no more than ninety (90) days before the meeting date. The notice shall be given either personally or by first-class, registered, or certified mail, or by other means of written communication, charges prepaid, and shall be addressed to each member entitled to vote, at the address given by the member to the Corporation for purposes of notice. When mailed, delivery of said notice shall be deemed complete as of the date of receipt stated on the return receipt if a return receipt is requested, or upon the date of deposit in a proper U.S. Mail receptacle, if so used. If no address appears on the books of the Corporation and no address has been so given, notice shall be deemed to have been given if either (1) notice is sent to that member by first-class mail or telegraphic or other written communication delivered to the principal office of the Corporation, or (2) notice is published at least once in a newspaper of general circulation in the county in which the principal office is located.

(4) **Affidavit of Mailing Notice.** An affidavit of the mailing of any notice of any members' meeting, or of the giving of such notice by other means, may be executed by the Secretary, or any transfer agent of the Corporation, and if so executed, shall be filed and maintained in the minute book of the Corporation.

g. Quorum.

(1) **Number Required.** The presence, in person or by proxy, of members holding fifty-one percent (51%) of the voting rights of the Corporation shall constitute a quorum for the transaction of business at any meeting of members, unless otherwise specified in these Bylaws.

(2) **Loss of Quorum.** The members present at a duly called or held meeting at which a quorum is presented may continue to transact business until adjourned, even if enough members have withdrawn to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the members required to constitute a quorum.

h. Adjournment and Notice of Adjourned Meetings. Any members' meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the members represented at the meeting, either in person or by proxy. No meeting may be adjourned for more than forty-five (45) days. When a members' meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which adjournment is taken. If after adjournment a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each member who, on the record date for notice of the meeting, is entitled to vote at the meeting. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting.

i. Voting.

(1) **Eligibility to Vote.** Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the only persons entitled to vote at any meeting of members shall be voting members who are in good standing as of the record date determined pursuant to Section 4.03 of these Bylaws.

(2) **Manner of Casting Votes.** Voting may be by voice or ballot, except that any election of directors must be by ballot if demanded by any member at the meeting before the voting begins.

(3) **Voting.** Each member entitled to vote shall be entitled to cast one vote per membership on each matter submitted to a vote of the members.

(4) **Approval by Majority Vote.** If a quorum is present, the affirmative vote of a majority of the voting power represented at the meeting, entitled to vote and voting on any matter, shall be the act of the members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law, the Articles of Incorporation, or these Bylaws.

(5) **Rules for Elections and Voting.** The Board may make and, from time to time, change rules and regulations for the conduct of elections, or any specific election, and for the voting on or about any matter submitted to the members for vote or consent, including regulations concerning the time or times and the method of filing proxies and casting ballots and the tabulation and certification of votes, subject to the restrictions stated in these Bylaws.

j. Waiver of Notice or Consent by Absent Members.

(1) **Written Waiver or Consent.** The transactions of any meeting of members, however called or noticed and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (1) a quorum is present, either in person or by proxy, and (2) either before or after the meeting, each member entitled to vote but not given proper notice and not present in person or by proxy, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of any meeting of members, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 4.08(f), the waiver of notice, consent, or approval shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(2) **Waiver by Attendance.** A member's attendance at a meeting shall also constitute a waiver of notice of that meeting, unless the member objects at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

Section 4.09 Action Without a Meeting. Any action required or permitted to be taken by the members may be taken without a meeting if done in compliance with Corporations Code Section 7513.

Section 4.10. Record Date for Notice, Voting, Written Ballots, and Other Actions.

a. **Record Date Determined by Board.** For purposes of determining which members are entitled to receive notice of any meeting, to vote, or to give consent to corporate action without a meeting, the Board may fix, in advance, a "record date," which shall not be more than sixty (60) days or fewer than ten (10) days before the date of any such meeting, or more than sixty (60) days before any such

action without a meeting. Only members of record on the date so fixed are entitled to notice, to vote, or to give consents, as the case may be, notwithstanding any transfer of any membership on the books of the Corporation after the record day, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law.

b. Record Date Not Determined by Board.

(1) **Record Date for Notice or Voting.** If not otherwise fixed by the Board, the record date for determining members entitled to receive notice of, or to vote at, a meeting of members shall be the business day preceding the day on which notice is given or, if notice is waived, the business day preceding the day on which the meeting is held.

(2) **Record Date for Action by Written Ballot.** If not otherwise fixed by the Board, the record date for determining those members entitled to vote by written ballot shall be the day on which the first written ballot is mailed or solicited.

(3) **Record Date for Written Consent to Action Without Meeting.** Unless fixed by the Board, the record date for determining those members entitled to vote by written consent on corporate action without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written consent is given. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

(4) **Record Date for Other Actions.** If not otherwise fixed by the Board, the record date for determining members entitled to exercise any rights with respect to any other lawful action shall be on the date on which the Board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of that action, whichever is later.

c. **Definition of "Members of Record."** For purposes of this Section 4.10, a person holding a voting membership at the close of business on the record date shall be a member of record.

Section 4.11. Proxies.

a. **Right of Members.** Each member entitled to vote shall have the right to do so either in person or by one or more agents authorized by a written proxy, signed by the person and filed with the Secretary of the Corporation, or as otherwise may be provided under California Law. A proxy shall be deemed signed if the member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the member or the member's attorney-in-fact.

b. Form of Solicited Proxies. Any form of proxy distributed to ten (10) or more members shall afford an opportunity on the proxy to specify a choice between approval and disapproval of each matter or group of related matters, and shall provide, subject to reasonable specified conditions, that when the person solicited specifies a choice with respect to any such matter, the vote shall be cast in accordance with that specification. In any election of directors, any form of proxy that a member marks "withhold," or otherwise marks in a manner indicating that authority or vote for the election of directors is withheld, shall not be voted either for or against the election of a director. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

c. Requirement That General Nature of Subject of Proxy be Stated. Any proxy covering matters for which a vote of the members is required, including amendments of the Articles of Incorporation or Bylaws changing voting rights; removal of directors without cause; filling vacancies on the Board; the sale, lease, exchange, conveyance, transfer, or other disposition of all or substantially all of the corporate assets, unless the transaction is in the usual and regular course of the activities of the Corporation; or the election to dissolve the Corporation, shall not be valid unless the proxy sets forth the general nature of the matter to be voted on or, with respect to an election of directors, the proxy lists those who have been nominated at the time the notice of the election is given to the members.

d. Revocability. A validly executed proxy shall continue in full force and effect until:

(1) revoked by the member executing it, before the vote is cast under that proxy, by (a) a writing delivered to the Corporation stating that the proxy is revoked, or (b) a subsequent proxy executed by that member and presented to the meeting, or (c) as to any meeting, by that member's personal attendance and voting at the meeting; or

(2) written notice of death or incapacity of the maker of the proxy is received by the Corporation before the vote under that proxy is counted, provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy, except that the maximum term of a proxy shall be three (3) years from the date of execution. A proxy may not be irrevocable. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the California Nonprofit Mutual Benefit Corporation Code.

Section 4.12. Records.

a. Record of Membership. The Secretary shall keep or cause to be kept, at the principal office of the Corporation or at a place determined by resolution of the Board, a record of the members of the Corporation showing each member's name, address, and class of membership.

b. Members' Inspection Rights.

(1) **Membership Records.** Subject to the California Corporations Code, and unless the Corporation provides a reasonable alternative as provided below, any member may do either or both of the following for a purpose reasonably related to the member's interest as a member:

(a) Inspect and copy the records of members' names, addresses, and voting rights during usual business hours on five (5) days' prior written demand to the Corporation, which demand must state the purpose for which the inspection rights are requested; or

(b) Obtain from the Secretary of the Corporation, on written demand and tender of a reasonable charge, a list of names, addresses, and voting rights of members who are entitled to vote for the election of directors as of the most recent record date for which that list has been compiled, or as of a date specified by the member, after the date of demand. The demand shall state the purpose for which the list is requested. The Secretary shall make this list available to the member on or before the latter of ten (10) days after (i) the demand is received, or (ii) the date specified in the demand for which the list is to be compiled.

The Corporation may, within ten (10) business days after receiving a demand under this Section, make a written offer of an alternative method of reasonable and timely achievement of the proper purpose specified in the demand without providing access to or a copy of the membership list. Any rejection of this offer must be in writing and must state the reasons that the proposed alternative does not meet the proper purpose of the demand.

If the Corporation believes that the information requested will be used for a purpose other than one reasonably related to a person's interest as a member, or if the Corporation provides a reasonable alternative under this Section 4.12(b), it may deny the member access to the membership list.

Any inspection and copying under this Section may be made in person or by the member's agent or attorney. The right of inspection includes the right to copy and make extracts.

(2) **Accounting Records and Minutes.** On written demand presented to the Corporation, any member may inspect, copy, and make extracts of the accounting books and records and the minutes of the proceedings of the members, the Board, and committees of the Board at any reasonable time for a purpose reasonably related to the member's interest as a member. Any such inspection and copying may be made in person or by the member's agent or attorney.

(3) **Maintenance and Inspection of Articles and Bylaws.** The Corporation shall keep at its principal office, or if its principal office is not in California, at its principal business office in this state, the original or a copy of its Articles of Incorporation and Bylaws, as amended to date, which shall be open to inspection by the members at all reasonable times during office hours. If the principal office

of the Corporation is outside California and the Corporation has no principal business office in this state, the Secretary shall, on the written request of any member, furnish to that member a copy of the Articles of Incorporation and Bylaws, as amended to date.

ARTICLE V

DIRECTORS

Section 5.01. Powers.

a. General Corporate Powers. Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and any limitations of the Articles of Incorporation and of these Bylaws, the activities and affairs of the Corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board.

b. Specific Powers. Without prejudice to these general powers, but subject to the same limitations, the directors shall have the power to:

(1) Appoint and remove, at the pleasure of the Board, all officers, agents and employees of the Corporation; prescribe powers and duties for them that are consistent with law, with the Articles of Incorporation and with these Bylaws; and fix their compensation and require from them security for faithful performance of their duties.

(2) Change the principal office or the principal business office in the State of California from one location to another; cause the Corporation to be qualified to conduct its activities in any other state, territory, dependency or country and conduct its activities within or outside the State of California; and designate any place within or outside the State of California for the holding of any meeting, including annual meetings.

(3) Adopt and use a corporate seal and alter the form thereof.

(4) Borrow money and incur indebtedness on behalf of the Corporation and cause to be executed and delivered for the purposes of the Corporation, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities.

Section 5.02. Number and Election of Directors and Restrictions on Directors.

a. Authorized Number. The authorized number of directors shall be nine (9).

b. **Qualification of Directors.** No person shall be entitled to serve as a director of the Corporation without also being a member; however, if a membership interest is vested in a non-natural person (e.g., mutual water company, corporation, public entity), that member entity may appoint a person to act in its behalf and that member's representative shall be eligible to serve on the Board. Each member entity may have, at most, two (2) representatives eligible for directorship election or serving on the Board at any given time.

c. **Composition of the Board.** The Board shall generally be composed of members who are reflective of the overall members' types and classes of water use. Directors shall be elected from nominees of five representative types or classes of use: 1) domestic-urban, 2) small agricultural, 3) large agricultural, 4) mutual water companies, and 5) at large. From these five nominee groups, there shall be two directors elected from the domestic-urban group, one from the small agricultural group, one from the large agricultural group, two from the mutual water companies group and three from the at-large group.

(1) **Domestic-Urban Representatives.** Director nominees representing the domestic-urban use group shall be members whose primary water end-use is put to domestic, municipal, or industrial purposes.

(2) **Agricultural Representatives.** Director nominees representing the agricultural use group shall be members whose primary water end-use is put to agricultural purposes. The small agricultural nominee shall represent a person or entity whose Santa Paula Basin allocation is less than or equal to two hundred and fifty (250) acre feet per year and the large agricultural nominee shall represent a person or entity whose Santa Paula Basin allocation is greater than two hundred and fifty (250) acre feet per year.

(3) **Mutual Water Companies Representatives.** Director nominees representing the mutual water companies use group shall be members who represent mutual water companies.

(4) **At-large Representatives.** Director nominees representing the at-large use group shall be any members who are otherwise qualified to serve as directors of the Corporation.

If, at the time of the election, the Board is unable to identify a sufficient number of nominees to meet the criteria of subparagraphs (c)(1)-(c)(4) of this subsection, the Board may, in its discretion, authorize the election to proceed with a ballot of at least nine (9) otherwise qualified candidates.

d. **Restrictions on Directors.** Not more than four (4) of the persons serving on the Board may be interested persons. An interested person is: (1) any person being compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise; and (2) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or

father-in-law of such person. However, any violation of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the Corporation. A director may not participate in any vote on any proposed transaction with another organization or entity of which such director is also an employee, principal or director.

e. **Election of Directors.**

(1) **Nominations of Committee.** The Chairman of the Board, or the President if there is no Chairman, shall appoint a committee of no more than 6 persons to select qualified candidates for election to the Board at least ninety (90) days before the date of any election of directors. The nominating committee shall select representative candidates as follows: 1) at least two candidates for the domestic-urban group, 2) at least one candidate for the small agricultural group, 3) at least one candidate for the large agricultural group, 4) at least two candidates for the mutual water companies group and 5) at least three candidates for the at-large group. The nominating committee shall complete its selection report at least sixty (60) days before the date of the election or at such other time as the Board may set. The Secretary shall forward to each member, with the notice of meeting required by these Bylaws, a list of all candidates nominated by committee under this Section. Such notice shall include notation of the respective use group each individual candidate represents.

(2) **Nominations by Members.** Members representing two percent (2%) of the voting power may nominate candidates for directors by a petition, signed by those members within eleven (11) months preceding the next time directors are to be elected, and delivered to an officer of the Corporation. A member's petition nominating candidates shall include the use group each nominee represents. Such a petition must be received no later than ten (10) days prior to the date of the election. On timely receipt of a petition signed by the required number of members, the Secretary shall cause the names of the candidates named on it to be placed on the ballot along with the names of those candidates named by the nominating committee.

(3) **Nominations From the Floor.** If there is a meeting of members to elect directors, any member present at the meeting in person or by proxy may place names in nomination. Nominations from the floor must also designate the use-group each nominee represents.

(4) **Solicitation of Votes.** The Board shall formulate procedures that allow a reasonable opportunity for a nominee to communicate to members the nominee's qualifications and the reasons for the nominee's candidacy, a reasonable opportunity for the nominee to solicit votes, and a reasonable opportunity for all members to choose among the nominees.

_____ (5) **First Board of Directors.** The first election of the Board for the Corporation shall be conducted at the first meeting of the Corporation. All positions on the Board shall be filled at that election.

(6) **Subsequent Election of Directors.** Directors shall be elected at each annual meeting of the members to hold office until the next annual meeting; however, if any annual meeting is not held or the directors are not elected at any annual meeting, they may be elected at any special member's meeting held for that purpose. Each director, including a director elected to fill a vacancy or elected at a special member's meeting, shall hold office until expiration of the term for which elected and until a successor has been elected and qualified.

Section 5.03. Term of Office of Directors. The directors newly appointed or selected shall hold office for a term of one (1) year.

Section 5.04. Vacancies.

a. **Events Causing Vacancy.** A vacancy or vacancies on the Board shall exist on the occurrence of the following: (i) the death, removal, suspension or resignation of any director; or (ii) the declaration by resolution of the Board of a vacancy in the office of a director who has been declared of unsound mind by an order of court or convicted of a felony or has been found by final order or judgment of any court to have breached a duty under California Nonprofit Mutual Benefit Corporation Law.

b. **Resignations.** Except as provided in this subsection, any director may resign effective upon giving written notice to the Chairman of the Board, if any, or the President or the Secretary of the Board, unless such notice specifies a later time for the resignation to become effective. Except upon notice to the Attorney General of the State of California, no director may resign when the Corporation would then be left without a duly elected director or directors in charge of its affairs.

c. **Removal of Director.** A member of the Board may be removed from office prior to the expiration of his/her term by the vote of the majority of the members.

d. **Filling Vacancies.** Any vacancy on the Board shall be filled by majority vote of the remaining directors, whether or not less than a quorum, or by a sole remaining director.

e. **Reduction of Number of Directors.** No reduction of the authorized number of directors shall have the effect of removing any director before the director's term of office expires.

Section 5.05. Place of Meetings; Meetings by Telephone. Meetings of the Board shall be held at the principal office of the Corporation or at such other place as has been designated by the Board. In the absence of any such designation, meetings shall be held at the principal office of the Corporation. Any meeting may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can clearly hear one another, and all such directors shall be deemed to be present in person at such meeting.

Section 5.06. Annual, Regular and Special Meetings.

a. Annual Meeting. The Board shall hold an annual meeting immediately following the annual meeting of the membership, or in conjunction with its regularly scheduled meeting for the month of May of each year for the purpose of organization, election of officers and the transaction of other business; provided, however, that the Board may fix another time for the holding of its annual meeting. Notice of this meeting shall not be required.

b. Other Regular Meetings. The other regular meeting shall be held on the 4th Thursday of the month of September, at 2:00 p.m., at the principal office of the Corporation, or at any other place designated from time to time by resolution of the Board. Said meeting shall be held without notice; provided, however, any regular meeting may be dispensed with by majority vote of the Board.

c. Special Meetings.

(1) Authority to Call. Special meetings of the Board for any purpose may be called at any time by the Chairman of the Board, if any, the President, or the Secretary, or any two directors.

(2) Notice.

(a) Manner of Giving Notice. Notice of the time and place of special meetings shall be given to each director by one of the following methods:

1) by personal delivery of written notice;

2) by first-class mail, postage prepaid;

3) by telephone, either directly to the director or to a person at the director's office who would reasonably be expected to communicate that notice promptly to the director;

or

4) by telegram, charges prepaid. All such notices shall be given or sent to the director's address to the telephone number as shown on the records of the Corporation.

(b) Time Requirements. Notices sent by first-class mail shall be deposited in the U.S. mail at least four (4) days before the time set for the meeting. Notices given by personal

delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least forty-eight (48) hours before the time set for the meeting.

(c) **Notice Contents.** The notice shall state the time of the meeting and the place, if the place is other than the principal office of the Corporation. It need not specify the purpose of the meeting.

(d) **Waiver of Notice or Consent by Absent Directors.**

1) **Written Waiver or Consent.** The transactions of any directors' meeting, however called or noticed and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (1) a quorum is present, and (2) either before or after the meeting each director, not present in person or by telephone, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

2) **Waiver by Attendance.** A director's attendance at a meeting shall also constitute a waiver of notice of that meeting, unless the director objects at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

Section 5.07 **Executive Session.** The Board may, with the approval of a majority of a quorum of directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Corporation is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 5.08. **Compensation of Directors.** Directors shall receive no compensation for their services.

ARTICLE VI

COMMITTEES

Section 6.01. **Committees of the Board.** The Board, by resolution adopted by a majority of the directors then in office, may create one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by majority vote of the directors then in office. The Board may appoint one or more directors as alternate members of any such committee, who may replace an absent member at any meeting. Any such

committee, to the extent provided in the resolution of the Board, shall have all of the authority of the Board, except that no committee, regardless of Board resolution, may:

- a. Fill vacancies on the Board or in any committee which has the authority of the Board;
- b. Establish or fix compensation of the directors for serving on the Board or on any committee;
- c. Amend or repeal the Bylaws or adopt new bylaws;
- d. Amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;
- e. Appoint any other committees of the Board or the members of these committees;
- f. Approve any contract or transaction to which the Corporation is a party and in which one or more of its directors has a material financial interest, except as such approval is provided for in Section 5233(d)(3) of the California Corporations Code.

Section 6.02. Meetings and Actions of the Committees. Meetings and action of committees of the Board shall be governed by and held and taken in accordance with the provisions of Article V of these Bylaws, concerning meetings and other action of the Board, except that the time for regular meetings of such committees and the calling of special meetings thereof may be determined either by resolution of the Board or, if there is no Board resolution, by resolution of the committee of the Board. Minutes shall be kept of each meeting of any committee of the Board and shall be filed with the corporate records. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws or, in the absence of rules adopted by the Board, the committee may adopt such rules.

ARTICLE VII

OFFICERS

Section 7.01. Officers. The officers of the Corporation shall include a President, a Secretary, and a Treasurer. The Corporation may also have, at the Board's discretion, a Chairman of the Board, one or more Vice Presidents, one or more assistant Secretaries, one or more assistant Treasurers, and such other officers as may be appointed in accordance with Section 7.03 of these Bylaws. Any number of offices may be held by the same person, except that neither the Secretary nor the Treasurer may serve concurrently as either the President or the Chairman of the Board.

Section 7.02. Election of Officers. The officers of the Corporation, except those appointed in accordance with the provisions of Section 7.03 of this Article VII, shall be chosen by the Board, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

Section 7.03. Other Officers. The Board may appoint and may authorize the Chairman of the Board or the President or another officer to appoint any other officers that the Corporation may require, each of whom shall have the title, hold office for the period, have the authority and perform the duties specified in the Bylaws or determined from time to time by the Board.

Section 7.04. Removal of Officers. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, with or without cause, by the Board or, except in case of an officer chosen by the Board, by an officer on whom such power of removal may be conferred by the Board.

Section 7.05. Resignation of Officers. Any officer may resign upon written notice to the Corporation without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 7.06. Vacancies in Office. A vacancy occurring in any office because of death, resignation, removal or other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

Section 7.07. Responsibilities of Officers.

a. Chairman of the Board. If a Chairman of the Board is elected, he or she shall preside at meetings of the Board and shall exercise and perform such other powers and duties as the Board may assign from time to time. If there is no President, the Chairman of the Board shall also be the Chief Executive Officer and shall have the powers and duties of the President of the Corporation prescribed by these Bylaws.

b. President/Chief Executive Officer. Subject to the control and supervision of the Board, the President shall be the Chief Executive Officer and General Manager of the Corporation and shall generally supervise, direct and control the activities and affairs and the officers of the Corporation. The President, in the absence of the Chairman of the Board, or if there be none, shall preside at all meetings of the Board. The President shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

c. Vice Presidents. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank, shall perform all of the duties of the President, and, when so acting, shall have

all the powers of and be subject to all of the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them by the Board or the Bylaws.

d. Secretary.

(1) **Book of Minutes.** The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may direct, a book of minutes of all meetings and actions of the Board and of committees of the Board. The Secretary shall also keep, or cause to be kept, at the principal office in the State of California, a copy of the Articles of Incorporation and Bylaws, as amended to date. The Secretary shall also maintain a complete and accurate record of the membership of the Corporation, as well as a record of the proceedings of all meetings of the membership.

(2) **Notices, Seal and Other Duties.** The Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board required by these Bylaws to be given. The Secretary shall keep the seal of the Corporation in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

e. Treasurer.

(1) **Books of Account.** The Treasurer of the Corporation shall keep or maintain, or cause to be kept or maintained, adequate and correct books and accounts of the properties and transactions of the Corporation, and shall send or cause to be sent to the Directors such financial statements and reports as are required by law or these Bylaws to be given. The books of account shall be open to inspection by any director at all reasonable times.

(2) **Deposit and Disbursement of Money and Valuables.** The Treasurer shall deposit all money and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board, shall disburse the funds of the Corporation as may be ordered by the Board, shall render to the President or Chairman of the Board, if any, when requested, an account of all transactions as Treasurer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

(3) **Bond.** If required by the Board, the Treasurer shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the Corporation of all its books, papers, vouchers, money and other property of every kind in the possession or under the control of the Treasurer upon death, resignation, retirement or removal from office.

ARTICLE VIII

INDEMNIFICATION AND INSURANCE

Section 8.01. Right of Indemnity. To the fullest extent permitted by law, the Corporation shall indemnify its Directors, officers, employees and other persons described in California Corporations Code section 7237(a), including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that section, and including an action by or in the right of the Corporation, by reason of the fact that any such person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 7237(a) of the California Corporations Code.

Section 8.02. Approval of Indemnity. On written request to the Board by any person seeking indemnification under section 7237(b) or section 7237(c) of the California Corporations Code, the Board shall promptly determine under section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if so, the Board may authorize indemnification. If the Board can not authorize indemnification because the number of directors who are parties to the proceedings with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, the Board shall promptly call a meeting of members. At that meeting, the members shall determine under section 7237(e) whether the applicable standard of conduct set forth in section 7237(b) or section 7237(c) has been met and, if so, the members present at the meeting in person or by proxy may authorize indemnification.

Section 8.03. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under this Article of these Bylaws in defending any proceeding covered by this Article shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid, unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 8.04 Insurance. The Corporation shall have power to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents, against any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's, or agent's status as such.

ARTICLE IX

ASSESSMENTS AND LIENS

Section 9.01. Charges and Assessments.

a. Authority to Establish Assessments and Charges. The Board shall, from time to time, in its discretion, establish charges and levy and collect such amounts by assessments to pay for the cost and expense of operating the Corporation pursuant to its Articles of Incorporation and these Bylaws. The charges and assessments shall be sufficient to result in the accumulation and maintenance of a reserve fund, however, such reserves shall not exceed twenty-five percent (25%) of the Corporation's annual budget.

The Board, in the resolution fixing a charge or assessment, or in any subsequent resolution, may fix and prescribe the time when such charge or assessment, or the several installments thereof, shall be payable, and the time when the same, if not paid, shall be and become delinquent.

b. Creation of Obligation and Lien. Except as otherwise provided in this Article IX, each member shall have a personal obligation to pay all assessments, charges and other monetary sums which are duly levied against his/her/its membership interest by the Corporation, and which become due while he/she/it is the owner of such membership interest. Such assessments, charges and other sums shall also constitute a lien upon the memberships of the Corporation from the date upon which the board of directors adopts the resolution levying the assessments.

Section 9.02. Operating Fund. There shall be an operating fund, into which the Corporation shall deposit all monies paid to it as: a) regular assessments, b) special assessments, c) miscellaneous fees, and d) income and profits attributable to the operating fund; and from which the Corporation shall make disbursements in performing the functions for which the foregoing assessments are levied.

Section 9.03 Levy of Assessment. Every levy of an assessment shall be made by resolution of the Board and shall:

- a. Identify the basis for determining the assessment;
- b. Specify the amount thereof and to whom and where it is payable;
- c. Fix a date on which the assessment is payable;
- d. Fix a date, not less than thirty (30) or more than sixty (60) days from the date on which the assessment is payable, and which such assessment becomes delinquent if not paid;
- e. Fix a date not less than fifteen (15) or more than sixty (60) days from the date on which the unpaid assessment becomes delinquent for the sale of delinquent memberships and an hour and a place for such sale of delinquent memberships.

Section 9.04 Notice of Assessment. On or before the date an assessment is first payable, the Secretary of the Corporation shall give notice thereof in substantially the following form:

SANTA PAULA BASIN PUMPERS ASSOCIATION, INC.

"Notice is hereby given that the Board of Directors on ____ (Date) ____ has levied an assessment of \$ _____ per membership upon the members of the Corporation payable to ____ (to whom and where) _____. A copy of the basis for determining the assessment is attached to this notice. Any memberships upon which this assessment remains unpaid on ____ (date fixed) ____ will be delinquent. Unless payment is made prior to delinquency, in its discretion the Board has the right to bring a civil action against the member to recover the delinquent assessments, together with a penalty of 5% of the amount of any such delinquent charges or assessments plus interest accruing at 0.5% per month on any such delinquent charges or assessments, or the memberships or as many of them as may be necessary to pay the delinquent charges or assessments, together with a penalty of 5% of the amount of the delinquent charges or assessments plus interest accruing at 0.5% per month on any such delinquent charges or assessments, on such memberships, may be 1) sold at ____ (particular place) ____ on ____ (Date) ____ at ____ (hour) ____ of such date, or 2) be forfeited to the Corporation. (Name of Secretary with location of office)."

Section 9.05. Service of Notice of Assessment. The notice of assessment shall be served personally upon each holder of record of memberships assessed; provided, however, that in lieu of personal service the notice may be mailed to each such member, addressed to the last address of the member appearing on the books of the Corporation or given by the member to the Corporation for the purpose of notice or, if no such address appears or is given, at the place where the principal executive office of the Corporation is located, and published once in some newspaper of general circulation in the County in which the principal executive office of the Corporation is located.

Section 9.06 Delinquent Rates, Charges and Assessments. In the event any member allows the payment of any charge or assessment, or any installment of such charge or assessment, to become delinquent, the Corporation may, in the discretion of the Board, refuse to transfer on its books the memberships of such delinquent member, unless and until such delinquent member pays all charges and assessments then due and that had become delinquent, together with a penalty of five percent (5%) of the amount of any such delinquent charges or assessments plus interest of one-half of one percent (0.5%) per month on the amount of any such delinquent charges or assessments, and any and all costs and expenses, including reasonable attorneys' fees and costs, incurred by the Corporation in attempting to collect or enforce the charges or assessments which have become delinquent.

Section 9.07. Lien and Collection of Assessment. The Corporation shall have a lien on its memberships for all assessments levied thereon. Any assessment shall constitute a lien upon memberships of the Corporation from the date the Board adopts the resolution levying the assessments.

The Corporation shall provide for the enforcement of the lien upon the memberships. In the event of delinquency in the payment of assessments, the Corporation shall have the power and authority, exercisable in the manner provided by law, 1) to bring a civil action against the member to recover the delinquent assessments, 2) to sell and transfer such memberships or so many of such memberships as are necessary to pay the amount of the delinquent assessment and rates or charges, the penalty thereon, and the costs and expenses, including reasonable attorneys' fees and costs, incurred by the Corporation in attempting to collect same.

At least fifteen (15) days before the date fixed for the sale of delinquent memberships, a written notice of the time, date and place of said sale shall be served personally upon the holder of record of said memberships or sent to said member by registered or certified mail addressed to the last address of the member appearing on the books of the Corporation or given by the member to the Corporation for the purpose of notice. Any such sale may be postponed from time to time by announcement at the time and place last scheduled for the sale.

Only those persons or entities who meet the requirements for ownership of memberships as provided in the corporate Articles of Incorporation and Bylaws shall be entitled to purchase such delinquent memberships at such a sale and become the owner thereof, and subsequent transferees of said memberships shall always be limited to those persons or entities who meet the requirements for ownership of memberships. The purchaser of said delinquent memberships at such a sale, and any subsequent transferee of said memberships, shall acquire and have all the rights of a member in this Corporation to which the memberships are entitled upon the same terms and conditions enjoyed by other members.

In the event that the delinquent memberships cannot be sold for the amount of delinquent assessments and rates or charges, the penalty thereon, and the cost and expenses incurred by the Corporation in attempting to collect same, the Corporation shall have the power and authority to require that the delinquent memberships be forfeited to the Corporation.

After a sale or forfeiture of memberships for the nonpayment of the assessment, the holder or owner of the delinquent memberships shall surrender the certificate for such memberships to the Corporation for cancellation. This duty may be enforced by order or decree of court, and such holder or owner shall be liable for damages to the Corporation for failure to surrender the certificate for cancellation upon demand without good cause or excuse, and shall pay all attorneys' fees and costs incurred by the Corporation in obtaining said certificate.

An assessment made in accordance with the Bylaws shall not be invalidated by a failure to publish the notice of assessment, nor by the nonperformance of any act required in order to enforce the payment of the assessment.

ARTICLE X

RECORDS AND REPORTS

Section 10.01. Maintenance of Corporate Records. The Corporation shall keep at its principal place of business (or at such other place as the Board shall prescribe) the membership register; books and records of account; the original or a copy of the Articles of Incorporation and Bylaws, as each shall be amended to date; and the minutes in written form of the proceedings of the members, Board and committees of the Board, which shall be made available for inspection and copying by any member of the Corporation or by his/her/its duly appointed representative, at any reasonable time and for a purpose reasonably related to such person's interest as a member.

Section 10.02. Inspection Rules. The Board shall establish reasonable rules with respect to: 1) notice to be given to the custodian of records by the member desiring to make the inspection, 2) hours and days of the week when such inspection may be made, and 3) payment of the cost of reproducing copies of documents requested by a member.

Section 10.03. Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the Corporation and the records of each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

Section 10.04. Annual Report to the Board. Except as provided under Section 8321 of the California Corporations Code, not later than 120 days after the close of the Corporation's fiscal year, the Board shall cause an annual report to be sent to all members of the Board. Such report shall contain the following information in reasonable detail:

- a. The assets and liabilities, including the trust funds, of the Corporation as of the end of the fiscal year.
- b. The principal changes in assets and liabilities, including trust funds, during the fiscal year.
- c. The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the fiscal year.

d. The expenses or disbursements of the Corporation, for both general and restricted purposes, during the fiscal year.

Section 10.05. Annual Statement of Certain Transactions and Indemnifications. The Corporation shall prepare annually and furnish to each director a statement of any transaction or indemnification of the following kind not later than 120 days after the close of the Corporation's fiscal year in which any such transaction or indemnification took place:

a. Any transaction to which the Corporation, its parent or its subsidiary was a party, and in which any director or officer of the Corporation, its parent or subsidiary (but mere common directorship shall not be considered such an interest) had a direct or indirect material financial interest, if such transaction involved over fifty thousand dollars (\$50,000), or was one of a number of transactions with the same person involving, in the aggregate, over fifty thousand dollars (\$50,000).

b. Any indemnifications or advances aggregating more than ten thousand dollars (\$10,000) paid during the fiscal year to any officer or director of the Corporation pursuant to Section 8.01 hereof.

The statement shall include a brief description of the transaction, the names of the director(s) or officer(s) involved, their relationship to the Corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; provided, that in the case of a partnership in which such person is a partner, only the interest of the partnership need be stated.

Section 10.06. Annual Report to the Members.

a. **Annual Reports.** The Board shall cause an annual report to be sent to the members not later than 120 days following the close of the Corporation's fiscal year. The annual report shall contain the information specified in Section 10.04 of these Bylaws.

b. **Annual Statement of Certain Transactions and Indemnifications.** As part of the annual report to all members, the Corporation shall annually prepare and mail or deliver to each member and furnish to each director a statement of any transaction or indemnification of the following kind no later than 120 days following the close of the Corporation's fiscal year in which the reportable transaction or indemnification first occurred:

(1) Any transaction to which the Corporation and to which an "interested person" had a direct or indirect material financial interest, which involved more than fifty thousand dollars (\$50,000) or was one of a number of transactions with the same interested person involving, in the aggregate, more than fifty thousand dollars (\$50,000). For this purpose, an "interested person" is either of the following:

(a) Any director or officer of the Corporation, its parent, or subsidiary (but mere common directorship shall not be considered such an interest); or

(b) Any holder of more than ten percent (10%) of the voting power of the Corporation, its parent, or its subsidiary.

The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the Corporation, the nature of their interest in the transaction and, if practicable, the amount of that interest, provided that if the transaction was with a partnership in which the interested person is a partner, only the interest of the partnership need be stated.

(2) Any indemnifications or advances aggregating more than ten thousand dollars (\$10,000) paid during the fiscal year to any officer or director of the Corporation under Article VIII of these Bylaws, unless that indemnification has already been approved by the members under the California Nonprofit Mutual Benefit Corporation Law.

Section 10.07. Budgets and Financial Statements.

Financial statements for the Corporation shall be regularly prepared and distributed to all members as follows:

a. A budget for each fiscal year, consisting of at least the following information, shall be distributed not less than forty-five (45) days nor more than sixty (60) days before the beginning of the Corporation's fiscal year:

- (1) Estimated revenue and expenses on an accrual basis.
- (2) The amount of total cash reserves of the Corporation currently available.

b. An annual report consisting of the following shall be distributed with 120 days after the close of the fiscal year:

- (1) A balance sheet as of the end of the fiscal year;
- (2) An operating (income) statement for the fiscal year; and
- (3) A statement of the changes in financial position for the fiscal year.

ARTICLE XI

CONSTRUCTION AND DEFINITIONS

Unless the context otherwise requires, the general provisions, rules of construction and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter; the singular includes the plural and the plural includes the singular; and the term "person" includes both a legal entity and a natural person.

ARTICLE XII

AMENDMENTS

Section 12.01. Adoption or Amendment by Members. New bylaws may be adopted or these Bylaws may be amended or repealed by approval of a majority of the members of the Corporation. The term "majority," as used in this section, is as defined in the California Nonprofit Mutual Benefit Corporation Law.


Section 12.02. Amendment by Board. Subject to the right of members under Section 12.01 hereinabove, bylaws other than a bylaw fixing or changing the authorized number of directors, or the minimum and maximum number of directors, or a bylaw materially and adversely affecting the rights of members as to voting or transfer, may be adopted, amended, or repealed by a majority vote of the Board.

Section 12.03. Maintenance of Records. The Secretary of the Corporation shall see that a true and correct copy of all amendments of the Bylaws, duly certified by the Secretary, is attached to the official Bylaws of the Corporation and is maintained with the official records of the Corporation at the principal office of the Corporation.

CERTIFICATE OF AMENDMENT OF BYLAWS

I, the undersigned, certify that I am the current Secretary of the of the Santa Paula Basin Pumpers Association, Inc., a California Nonprofit Mutual Benefit Corporation, and the above Bylaws are the Bylaws of this Corporation as amended on May 26, 2005.

Executed on June 30 2005, at Santa Paula, California.



Secretary

BYLAWS

OF

SANTA PAULA BASIN PUMPERS ASSOCIATION, INC.

A California Nonprofit Mutual Benefit Corporation

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