



# Water Shortage Contingency Plan

South Mesa Water Company

MAY 2026

SOUTH MESA WATER COMPANY





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# Water Shortage Contingency Plan

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Prepared by Water Systems Consulting, Inc. and Blua  
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# ACKNOWLEDGEMENTS

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# ACRONYMS & ABBREVIATIONS

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<b>AWIA</b>	American Water Infrastructure Association
<b>BBW</b>	Beaumont Basin Watermaster
<b>CWC</b>	California Water Code
<b>CII</b>	Commercial, Industrial, and Institutional
<b>DWR</b>	California Department of Water Resources
<b>DRA</b>	Drought Risk Assessment
<b>ERP</b>	Emergency Response Plan
<b>RRA</b>	Risk and Resilience Assessment
<b>RUWMP</b>	Regional Urban Water Management Plan
<b>SGMA</b>	Sustainable Groundwater Management Agency
<b>SMWC</b>	South Mesa Water Company
<b>SWP</b>	State Water Project
<b>UWMP</b>	Urban Water Management Plan
<b>WSCP</b>	Water Shortage Contingency Plan
<b>YVWD</b>	Yucaipa Valley Water District

# South Mesa Water Company

This Water Shortage Contingency Plan (WSCP) is a strategic plan that the South Mesa Water Company (SMWC) uses to prepare for and respond to water shortages.

A water shortage occurs when the water supply available is insufficient to meet the normally expected customer water use at a given point in time. A shortage may occur due to a number of reasons. This includes water supply quality changes, climate change, drought, regional power outages, and catastrophic events (e.g., earthquakes). Additionally, the State may declare a statewide drought emergency and mandate that water suppliers reduce demands. The WSCP serves as the operating manual that SMWC will use to prevent catastrophic service disruptions through proactive, rather than reactive, mitigation of water shortages.

This WSCP provides a process for an Annual Water Supply and Demand Assessment and structured steps designed to respond to actual conditions. This level of detailed planning and preparation provides accountability and predictability to help SMWC maintain reliable supplies and reduce the impact of any supply shortages and/or interruptions.

This WSCP was prepared in conjunction with SMWC's 2025 Urban Water Management Plan (UWMP), which is included in the 2025 Regional Urban Water Management Plan (2025 RUWMP) and is a standalone document that can be modified as needed. This document is compliant with the California Water Code (CWC) Section 10632 and incorporates guidance from the State of California Department of Water Resources (DWR) UWMP Guidebook.

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## IN THIS SECTION

- Water Service Reliability
- Annual Water Supply and Demand Assessment
- Supply Shortage Stages and Response Actions

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### The WSCP describes the following:

1. **Water Service Reliability Analysis:** Summarizes SMWC's water supply analysis and reliability and identifies any key issues that may trigger a shortage condition.
2. **Annual Water Supply and Demand Assessment Procedures:** Describes the key data inputs, evaluation criteria, and methodology for assessing the system's reliability for the coming year and the steps to formally declare any water shortage stages and response actions.
3. **Water Shortage Stages:** Establishes water shortage stages to clearly identify and prepare for shortages.
4. **Shortage Response Actions:** Describes the response actions that may be implemented or considered for each stage to reduce gaps between supply and demand.
5. **Communication Protocols:** Describes communication protocols under each stage to ensure customers, the public, and government agencies are informed of shortage conditions and requirements.
6. **Compliance and Enforcement:** Defines compliance and enforcement actions available to administer demand reductions.
7. **Legal Authority:** Lists the legal documents that grant SMWC the authority to declare a water shortage and implement and enforce response actions.
8. **Financial Consequences of WSCP Implementation:** Describes the anticipated financial impact of implementing water shortage stages and identifies mitigation strategies to offset financial burdens.
9. **Monitoring and Reporting:** Summarizes the monitoring and reporting techniques to evaluate the effectiveness of shortage response actions and overall WSCP implementation. Results are used to determine if shortage response actions should be adjusted.
10. **WSCP Refinement Procedures:** Describes the factors that may trigger updates to the WSCP and outlines how to complete an update.
11. **Plan Adoption, Submittal, and Availability:** Describes the process for the WSCP adoption, submittal, and availability after each revision.

## 1.0 Water Service Reliability Analysis

As part of the 2025 RUWMP, SMWC completed a water supply reliability analysis for normal, single-dry, and five-year consecutive dry year periods from 2030-2050. As described in Part 1 Chapter 3 of the 2025 RUWMP, the effects of a local drought are not immediately recognized since the region uses the local groundwater basins to simulate a large reservoir for long-term storage. SMWC is able to pump additional groundwater to meet increased demands in dry years and is moving forward with plans to secure the ability to participate in replenishing the basins with imported and local water through regional recharge programs. Based on the analysis, SMWC does not anticipate supply shortage due to single or consecutive dry years. Even though localized drought conditions should not affect supply, SMWC participates in several ongoing water conservation measures and is planning regional recharge projects to optimize and enhance the use of regional water resources. SMWC will use this WSCP as appropriate to reduce the demand during critical drought years or other supply emergencies.

**A Drought Risk Assessment (DRA) was also performed to analyze supply reliability for the next five years, 2026 through 2030. Similarly, the results show that SMWC's water supply is reliable and not expected to see impactful change under drought conditions.**

## 2.0 Annual Water Supply and Demand Assessment Procedures

As an urban water supplier, SMWC must prepare and submit an Annual Water Supply and Demand Assessment (Annual Assessment) by July 1 each year pursuant to California Water Code (CWC) Section 10632.1. The Annual Assessment is an evaluation of the near-term outlook for supplies and demands to determine whether the potential for shortage exists and whether there is a need to trigger a WSCP shortage stage and response actions in the current calendar year to maintain supply reliability. This process will take place at the same time each year based on known circumstances and information available to SMWC at the time of analysis and can be updated or revised at any time if circumstances change.

SMWC will convene an internal WSCP Team to conduct the Annual Assessment each year.

**The WSCP Team will primarily include the following staff:**

- General Manager
- Operations Manager
- Office Manager

The Annual Assessment procedure, including key data inputs and evaluation criteria, is summarized in Table 1.

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**Table 1: Annual Assessment Procedure**

<b>TIMING</b>	<b>ASSESSMENT ACTIVITIES</b>	<b>PROCEDURE, KEY DATA INPUTS, EVALUATION CRITERIA AND OTHER CONSIDERATIONS</b>	<b>STAFF RESPONSIBLE</b>
<b>JAN - FEB</b>	Estimate unconstrained demands for coming year	Demands will be estimated based on water sales forecasts from annual budget or prior year demands plus anticipated changes.	General Manager and/or Operations Manager
<b>JAN - FEB</b>	Estimate available supplies for the year, considering the following year will be dry	The Yucaipa Sustainable Groundwater Management Agency (Yucaipa SGMA) works with local water purveyors to manage and maintain long-term supply reliability and is not anticipated to be impacted in dry years. SMWC is part of the Beaumont Basin Watermaster (BBW), which manages longer term supply reliability. SMWC maintains storage within the Beaumont Basin which can be utilized during dry years.	General Manager and/or Operations Manager
<b>JAN - FEB</b>	Consider potential constraints that may impact supply delivery	<p>Identify regional or SMWC infrastructure issues that would pertain to near-term water supply reliability, including repairs, construction, and environmental mitigation measures that would temporarily constrain capabilities, as well as new projects that would add to system capacity.</p> <p>Identify facilities out of service due to water quality problems, equipment failure, etc. that would impact normal water deliveries.</p> <p>Identify potential or emerging impacts to groundwater quality, such as emerging regulatory constraints that would limit use of available supplies for potable needs.</p>	General Manager and/or Operations Manager

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TIMING	ASSESSMENT ACTIVITIES	PROCEDURE, KEY DATA INPUTS, EVALUATION CRITERIA AND OTHER CONSIDERATIONS	STAFF RESPONSIBLE
<b>FEB</b>	Conduct Annual Assessment	Compare supplies and demands and discuss constraints that would impact supply delivery. If the potential for a shortage exists, determine which shortage response level and actions are recommended to reduce/eliminate the shortage.  Additionally, if the State declares a drought emergency and requires demand reductions, the WSCP Team will determine which water shortage level and response actions are needed to comply with the State mandate.	WSCP Team
<b>JUNE</b>	Board of Directors	If the potential for a shortage exists or the State has mandated demand reductions, the results of the Annual Assessment will be presented to the SMWC Board of Directors, including the recommended shortage level and response actions. The Board of Directors would order the implementation of a shortage level and adopt a resolution declaring the applicable water shortage level.	General Manager  Board of Directors
<b>ON- GOING</b>	Implement WSCP actions, if needed	Relevant members of SMWC staff will implement shortage response actions associated with the declared water shortage level.	WSCP Team
<b>BY JULY 1</b>	Submit Retail Annual Assessment	Send Final Retail Annual Assessment to DWR.	WSCP Team

## 3.0 Water Shortage Stages

If a potential water supply shortage is identified in the Annual Assessment, this section provides information on the water shortage levels and response actions that SMWC would implement.

SMWC uses four shortage levels to identify and respond to water shortage emergencies. At a minimum, SMWC encourages baseline conservation efforts year-round, regardless of a shortage emergency.

- **Level 1 – Normal Conditions:** During times of normal supply, recommends that water conservation be practiced within the home or business to prevent the waste of unreasonable use of water.

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- **Level 2 – Water Alert Conditions:** In addition to Level 1, Level 2 includes demand reduction actions as outlined in Table 4.
- **Level 3: Water Warning Conditions:** In addition to Level 2, Level 3 includes demand reduction actions as outlined in Table 4.
- **Level 4: Water Emergency Conditions:** Level 4 is the most restrictive level. Under this level, water use is limited to essential household, commercial, manufacturing, or processing uses. No lawn or landscape water will be allowed. No construction water use is allowed; construction meters are to be locked off or removed.

The CWC outlines six standard water shortage levels that correspond to a gap in supply compared to normal year availability. The six standard water shortage levels correspond to progressively increasing estimated shortage conditions (up to 10-, 20-, 30-, 40-, 50-percent, and greater than 50-percent shortage compared to the normal reliability condition) and align with the response actions that a water supplier would implement to meet the severity of the impending shortages.

The CWC allows suppliers with an existing water shortage contingency plan to use different water shortage levels by developing a cross-reference to its existing shortage. SMWC is including four shortage levels for this WSCP. A crosswalk defines how SMWC’s current water shortage levels will align with DWR’s standardized six levels of shortage. A visual representation of this alignment is shown in Figure 1 and Table 2 below.

Stage	% Supply Shortage	Water Supply Condition	DWR Standard Shortage Stage	Water Supply Condition
1	10	Normal Conditions	1	Up to 10%
2	25	Water Alert Conditions	2	Up to 20%
3	35	Water Warning Conditions	3	Up to 30%
4	50	Water Emergency Conditions	4	Up to 40%
			5	Up to 50%
			6	> 50%

**Figure 1: Crosswalk to DWR Six Standard Levels**

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**Table 2: DWR 8-1 Water Shortage Contingency Plan Levels**

<b>DWR STANDARD SHORTAGE LEVEL</b>	<b>DWR PERCENT SHORTAGE RANGE</b>	<b>SMWC'S SHORTAGE LEVEL</b>	<b>SMWC PERCENT SHORTAGE RANGE</b>
1	Up to 10%	Normal Condition (SMWC Level 1)	Up to 10%
2	Up to 20%	Water Alert Condition (SMWC Level 2)	Up to 25%
3	Up to 30%	Water Warning Condition (SMWC Level 3)	Up to 35%
4	Up to 40%	Water Emergency Condition (SMWC Level 4)	Up to 50%
5	Up to 50%	Water Emergency Condition (SMWC Level 4)	Up to 50%
6	>50%	Water Emergency Condition (SMWC Level 4)	Up to 50%

Notes: One level in the Water Shortage Contingency Plan must address a water shortage of 50%.

## 4.0 Shortage Response Actions

This section was completed pursuant to CWC Section 10632(a)(4) and 10632.5(a) and describes the response actions that must be considered or implemented for each level to minimize social and economic impacts to the community.

In accordance with Water Code 10632(b), SMWC analyzes and defines water features that are artificially supplied with water, including ponds, lakes, waterfalls, and fountains, separately from swimming pools and spas.

### 4.1 Supply Augmentation

Table 3 identifies the supply augmentation actions SMWC would consider in the event of a water shortage condition. SMWC maintains an interconnection with Yucaipa Valley Water District (YVWD). During water shortage emergencies, SMWC would consider obtaining supplemental water supply through the connection if available.

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**Table 3: DWR 8-2R Supply Augmentation & Other Actions**

<b>SHORTAGE LEVEL</b>	<b>SUPPLY AUGMENTATION METHODS AND OTHER ACTIONS BY WATER SUPPLIER</b>	<b>HOW MUCH IS THIS GOING TO REDUCE THE SHORTAGE GAP?</b>	<b>ADDITIONAL EXPLANATION OR REFERENCE</b>
3	Other purchases	0-100%	Emergency Inter-Tie with YVWD

Notes: The above shortage level corresponds to SMWC's four existing shortage stages.

## 4.2 Demand Reduction

In addition to prohibitions on end uses, SMWC has a water rate structure that promotes efficiency. Table 4 summarizes these efforts and end use prohibitions.

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**Table 4: DWR 8-3R Demand Reduction Actions**

<b>SHORTAGE LEVEL</b>	<b>DEMAND REDUCTION ACTIONS</b>	<b>HOW MUCH IS THIS GOING TO REDUCE THE SHORTAGE GAP?</b>	<b>ADDITIONAL EXPLANATION OR REFERENCE</b>	<b>PENALTY, CHARGE, OR OTHER ENFORCEMENT</b>
1	Expand Public Information Campaign	0-10%	Provide notices regarding water waste and offer community programs.	No
1	Water Features - Restrict water use for decorative water features, such as fountains	0-1%	No water shall be used to clean, fill, operate, or maintain levels in decorative fountains unless the water is part of a recycling system.	Yes
1	Other - Customers must repair leaks, breaks, and malfunctions in a timely manner	0-1%	Leaking plumbing fixtures shall be repaired in a timely manner so as to not waste water.	Yes
1	Landscape - Restrict or prohibit runoff from landscape irrigation	0-1%	Water use which results in flooding or runoff should be prevented and controlled.	Yes
1	Landscape - Other landscape restriction or prohibition	0-1%	The use of sprinklers for any type of irrigation during high winds is prohibited.	Yes
2	Other - Prohibit vehicle washing except at facilities using recycled or recirculated water	0-3%	The washing of automobiles, trucks, trailers, boats, and other mobile equipment is prohibited unless done with a handheld device equipped with an automatic shutoff trigger nozzle. This does not apply to commercial car washes utilizing a recycling water system or when the health and safety of the public would necessitate.	Yes
2	Landscape - Limit landscape irrigation to specific times	0-5%	Commercial nurseries shall water only between 11 P.M. and 6 A.M. using handheld devices or drip irrigation.	Yes
2	Landscape - Restrict or prohibit runoff from landscape irrigation	0-5%	School grounds, residential, and publicly owned lawns shall prevent runoff from irrigation activities.	Yes
2	Other - Prohibit use of potable water for washing hard surfaces	0-1%	There shall be no washing of driveways or sidewalks.	Yes
2	CII - Restaurants may only serve water upon request	0-1%	All restaurants prohibited from serving water to their customers except upon specific request.	Yes

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<b>SHORTAGE LEVEL</b>	<b>DEMAND REDUCTION ACTIONS</b>	<b>HOW MUCH IS THIS GOING TO REDUCE THE SHORTAGE GAP?</b>	<b>ADDITIONAL EXPLANATION OR REFERENCE</b>	<b>PENALTY, CHARGE, OR OTHER ENFORCEMENT</b>
3	Landscape - Limit landscape irrigation to specific days	0-15%	School grounds, residential, and publicly owned lawns to be watered on SMWC-approved schedule for hours and days of the week. Consumption shall be reduced by a minimum of 35%.	Yes
3	Other water feature or swimming pool restriction	0-1%	Swimming pools and fountains are not to be refilled after draining.	Yes
4	Other- Prohibit use of potable water for construction and dust control	0-1%	No construction water uses to be allowed, construction meters to be locked off or removed.	Yes
4	Landscape - Prohibit all landscape irrigation	10-30%	No lawn or landscape water will be allowed.	Yes
4	Other	10-20%	Water use limited to essential household, commercial, manufacturing, or processing uses.	Yes

Notes: The above shortage level corresponds to SMWC's four existing shortage stages.

## 4.3 Operational Changes and Additional Mandatory Restrictions

Operational changes and additional mandatory restrictions beyond the actions listed in Table 3 and Table 4 will be considered and implemented as needed in response to water shortages.

## 4.4 Emergency Response Plan

In 2025, SMWC completed a Risk and Resilience Assessment (RRA) and Emergency Response Plan (ERP) in accordance with America's Water Infrastructure Act (AWIA) of 2018. The purpose of the RRA and ERP is to meet the AWIA compliance requirements and plan for long-term resilience of SMWC's infrastructure. The RRA assesses SMWC's water system to identify critical assets and processes that may be vulnerable to human and natural hazards, and to identify measures that can be taken to reduce risk and enhance resilience from service disruption for the benefit of customers. The RRA identifies and characterizes both infrastructure-specific and system-wide vulnerabilities and threats and quantifies the consequences of disruption. The RRA identifies various options (and constraints) in addressing and mitigating risk. The RRA, in conjunction with the ERP, charts a course for water system resilience. The RRA provides various recommendations to increase reliability of SMWC's system in order to meet AWIA requirements. Since critical pieces of infrastructure and specific vulnerabilities are detailed in the RRA and ERP, the contents of the document are confidential for use by SMWC only.

In the event of a water shortage emergency resulting from equipment failure, power outage, or other catastrophe, SMWC is prepared to purchase emergency water supplies from nearby agencies while repairs or other remedial actions are underway. SMWC may also implement its four-level plan for conservation, as described above, with either voluntary or mandatory reductions depending on the severity of the shortage. For severe disasters (Level 4), mandatory water use reductions are specified.

## 4.5 Seismic Risk Assessment and Mitigation Plan

Disasters, such as earthquakes, can and will occur without notice. In addition to the AWIA RRA and ERP, which will specifically address seismic risk and mitigation plans, SMWC has emergency response procedures that include guidelines for response actions if an emergency due to an earthquake were to occur.

The SMWC service area is a high-risk area for earthquakes and seismic activity. A seismic event would affect all SMWC facilities such as wells, reservoirs, and booster stations. If SMWC's distribution systems are damaged or disrupted, the company will follow protocols detailed in their ERP.

SMWC has five storage reservoirs which hold approximately 7.0 million gallons, which is sufficient water to meet the health and safety requirements of 50 gallons per day per capita for

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30 days. This assumes zero non-residential use. SMWC also has interconnections with an adjacent agency for emergency supplies.

SMWC has portable back-up generators that can be used in the event of an area-wide power outage. These generators are located at wells and booster stations throughout the system to continue water production.

### 4.6 Shortage Response Action Effectiveness

SMWC has estimated the effectiveness of shortage response actions when data pertaining to such actions is available. Estimates of the effectiveness of actions have been included in Table 3 and Table 4. It is expected that response actions effectiveness is also a result of successful communication and outreach efforts.

## 5.0 Communication Protocols

SMWC prioritizes effective communication, especially in times of a water shortage emergency. SMWC has a protocol in place to communicate with the public, government agencies, and other interested parties about shortages and any anticipated or triggered shortage response actions. Communication methods may include email, bill inserts, handouts, informative flyers, direct mail pieces to newspapers, bus shelter advertisements, news releases, social media outreach, and website content. SMWC provides reminders about shortage stages as they develop and encourages conservation at all times.

## 6.0 Compliance and Enforcement

SMWC would implement the following mechanisms to enforce the water use prohibitions:

**First Warning** – issuance of written warning to the water user by placement of door-hanger message.

**Second Warning** – issuance of written warning to the water user by placement of door hanger with message stating that failure to comply will result in a Notice of Violation being issued together with a fine or surcharge of \$100 imposed on the water account.

**First Notice of Violation** – a fine or surcharge of \$100 is imposed on the water account.

**Second Notice of Violation** – a fine or surcharge of \$200 is imposed on the water account.

**Third Notice of Violation** – a fine or surcharge of \$500 and/or the installation of a flow restricting device on the water meter at the Board of Directors discretion.

Customers wishing to appeal violations may contact SMWC staff of the Board of Directors.

## 7.0 Legal Authority

SMWC is a not-for-profit mutual water company governed by its bylaws, included as Attachment 1, and the General Corporation Law of California. The SMWC Board of Directors holds the ultimate legal authority to manage its water system, possessing the unlimited discretion to adopt and enforce all rules and regulations essential for business conduct, including the power to fix rates, tolls, and assessments. To ensure compliance and manage shortages, the bylaws empower the Board to impose reasonable penalties for violations, perfect liens against shareholder real property for unpaid charges, and suspend or discontinue water service for the failure to pay assessments or follow SMWC rules.

### 7.1 Water Shortage Emergency Declaration

In accordance with CWC Section Division 1, Section 350, the SMWC Board of Directors shall declare a water shortage emergency condition to prevail within the area served by such distributor whenever it finds and determines that the ordinary demands and requirements of water consumers cannot be satisfied without depleting the water supply of the distributor to the extent that there would be insufficient water for human consumption, sanitation, and fire protection.

### 7.2 Local/Regional Emergency Declaration

If a water shortage is approaching, SMWC shall coordinate with the cities and counties in its service area for the possible proclamation of a local emergency.

## 8.0 Financial Consequences of WSCP Implementation

During Levels 2 through 4 of the SMWC Water Shortage Contingency Plan, water consumption will decrease based on each individual level and the amount of reduction goal achieved. The impacts of these reductions will result in a reduction in water sales revenues and a reduction of water production expenditures. In addition, there may be increased expenses associated with implementing the shortage response actions. To mitigate the financial impacts of a water shortage, SMWC maintains reserve funds within its account. These funds would be used to stabilize water rates during periods of water shortage or disasters affecting the water supply. Even with these reserves, rate increases may be necessary during a prolonged water shortage, to reflect the cost of service to provide water to SMWC shareholders.

## 9.0 Monitoring and Reporting

The water savings from implementation of the WSCP will be determined based on monthly production reports which are reviewed and compared with pumping statistics from prior months and the same period of the prior year. Under shortage conditions, these production reports would be prepared as often as daily. At first, the cumulative consumption for the various sectors (e.g., residential, commercial, etc.) will be evaluated for reaching the target level. Then if needed, individual accounts will be monitored. Weather and other possible influences may be accounted for in the evaluation.

## 10.0 WSCP Refinement Procedures

The WSCP is prepared and would be implemented as an adaptive management plan. SMWC will use results obtained from their monitoring and reporting program to evaluate needs for revisions. Changes to the WSCP that would warrant an update include, but are not limited to, changes to trigger conditions, changes to the shortage level structure, and/or changes to customer reduction actions.

Prospective changes to the WSCP would need to be presented to SMWC's Board for discretionary approval. Once discretionary approval has been granted, SMWC will hold a public hearing, obtain comments, and adopt the updated WSCP. Notices for refinement and the public hearing date would be published in the local newspaper in advance of any public meeting.

## 11.0 Plan Adoption, Submittal, and Availability

SMWC adopted this WSCP with the 2025 RUWMP. The 2025 RUWMP and WSCP were made available for public review in May 2026, and a public hearing was held on June 10, 2026, to receive public input on the draft 2025 IRUWMP and the WSCP.

The SMWC Board of Directors adopted the 2025 RUWMP and the WSCP at a public meeting on June 10, 2026. The resolution of adoption is included as Attachment 2.

This WSCP was submitted to DWR through the WUEData portal before the deadline of July 1, 2026.

This WSCP will be available to the public on SMWC website.

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If SMWC identifies the need to amend this WSCP, it will follow the same procedures for notification to cities, counties and the public as used for the 2025 RUWMP and for initial adoption of the WSCP.

## References

California Department of Water Resources. (2026). 2025 Urban Water Management Plan Guidebook. Sacramento: California Department of Water Resources.

Texas Living Waters Project. (2018). Water Conservation by the Yard: A Statewide Analysis of Outdoor Water Savings Potential. Austin: Texas Living Waters Project, Sierra Club, National Wildlife Federation. Retrieved from Texas Living Waters Project.

United States Environmental Protection Agency, Office of Water. (2002). Cases in Water Conservation: How Efficiency Programs Help Water Utilities Save Water and Avoid Costs. United States Environmental Protection Agency.

# Attachment 1

## South Mesa Water Company Bylaws

1

**BYLAWS OF THE  
SOUTH MESA WATER COMPANY**

**ARTICLE I.**

**Miscellaneous**

**Section 1.01. Definitions.** The term "The General Corporation Law" is used in these bylaws with the same meaning as defined in Section 100 of the Corporations Code of the State of California; and words, phrases and terms are used in these bylaws with the same meaning as used or defined in The General Corporation Law.

**Section 1.02. Amendments.** These bylaws, or any portion of them, may be repealed rescinded, added to or amended or new bylaws adopted by (a) a vote of the shareholders entitled to exercise at least twenty percent (20%) of the voting power, at a regular or special meeting of shareholders, or (b) the written assent of shareholders entitled to exercise twenty percent (20%) of the voting power, filed with the Secretary, or (c) with the exception of amending or changing the authorized number of Directors (which requires approval by a majority of the Company's total outstanding shares of stock) or their compensation by the affirmative vote of not less than four (4) members of the Board of Directors, or (d) any other method of any other manner now or hereafter authorized or permitted by law; provided, any bylaws adopted by the Board of Directors may be repealed or amended by the shareholders. In case of amendment of the bylaws by the Directors, the Secretary shall notify the shareholders of such amendment.

**ARTICLE II.**

**Shareholders**

**Section 2.01. Provisions of the General Corporation Law Applicable.** Except in those particulars and to the extent hereinafter provided for, all of the provisions (whether mandatory or permissive) of Division I of The General Corporation Law, as now or hereafter existing, are approved, adopted and made applicable to the Company; and whenever no express provision is contained herein with respect to any matter authorized to be regulated, fixed or established by or in the bylaws, it is intended to adopt and approve the provisions in said Division I pertaining thereto and regulating or providing for the same.

**Section 2.02. Annual Meeting.** A meeting of shareholders to be known as the "annual meeting" shall be held each year on the 4th Tuesday in February at the hour of 6:00 P.M., or, subject to Section 2.14, below, at such other date and time as the Board of Directors may set, for the purpose of electing a Board of Directors, and other purposes.

**Section 2.03. Special Meetings.** Special meetings of the shareholders, for any purpose or purposes whatsoever, may be held at any time, upon call which shall be made by the

President, or by the Board of Directors; by resolution adopted by majority vote; or by the written assent of a majority of all the acting Directors filed with the Secretary, or by one or more shareholders holding not less than ten percent (10%) of the voting power of the Company. Notice of such special meeting shall contain the general nature of the business to be transacted, and shall be provided according to Section 2.05 herein.

**Section 2.04. Place of Meetings.** Unless some other place shall be appointed in any instance or instances, as hereinafter provided, meeting of shareholders, both annual and special, shall be held at the principal office of the Company.

Authority is hereby conferred upon the Board of Directors, by resolution adopted by majority vote of all its members or by written assent of a majority of such members, filed with the Secretary, to fix or designate (and from time to time change) the place for any shareholders' meeting, or meetings, one or more, or all, whether annual or special. Any place so designated shall be within the Counties of San Bernardino or Riverside, and in such instance said meeting or meetings shall be held at the place so fixed or designated.

**Section 2.05. Notice of Meeting.** Written notice of each meeting of shareholders, whether annual or special, shall be given to each shareholder entitled to notice, not more than sixty (60), nor less than ten (10) days, before the meeting, in any of the following ways:

First: By delivering such notice personally; or

Second: By mailing such notice, charges prepaid, addressed to such shareholder at his address appearing on the books of the Company. If no address appears on the books of the Company, then the notice shall be addressed to the shareholder at the place where the principal office of the Company is situated; or

Third: With the consent of the shareholder to whom notice is given, by notice delivered by the Company by e-mail or other electronic means in accordance with the requirements of Section 20 of the California Corporations Code.

Whenever a shareholder shall by writing give the Company an address for the purpose of notice, the same shall be deemed the shareholder's "address appearing on the books of the Company," as such term is herein used; and in addressing a notice to a shareholder "where the principal office of the Company is situated," as such term is herein used, the address to be set forth shall be the post office name of the city or community and the State in which said principal office is situated, and no other specific address in said city or community shall be stated.

**Section 2.06. Form of Notice and Statement of Purpose.** Notice of any meeting shall specify the place, the day and the hour of the meeting. In the case of special meeting, the general nature of the business to be transacted shall be stated in the notice. In the case of the annual meeting, the notice shall specify those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the shareholders. The notice of any meeting at which Directors are to be elected shall include the names of nominees intended at the time of the notice

to be presented by the Board for election, pursuant to Section 601 of the Corporations Code of California.

If action is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a Director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code, (ii) an amendment of the Articles of Incorporation, pursuant to Section 902 of that Code, (iii) a reorganization of the Corporation, pursuant to Section 1201 of that Code, or (iv) a voluntary dissolution of the Corporation, pursuant to Section 1900 of that Code, the general nature of that proposal shall be stated in the notice given to, or in the written waiver of notice received from, each shareholder entitled to vote thereon.

**Section 2.07. Shareholders Entitled to Notice.** All notices of any meeting shall be mailed on the same day and at the same time. Where notice of any shareholders' meeting is to be mailed, notice shall be given to those who appear from the stock records as record holders at 5:00 o'clock P.M. on the day immediately preceding the day of mailing; and 5:00 o'clock P.M. on the day immediately preceding the day of mailing is the record date and time for determination of shareholders entitled to notice of the meeting.

**Section 2.08. Shareholders Entitled to Vote.** Five o'clock P.M. on the fifth day before the day first established for a shareholders' meeting is hereby fixed as the time for the close of stock books and the determination of those entitled to vote at the meeting, and subject to the provisions of law, only persons in whose names the shares stand on the stock records of the Company at the close of stock books, as aforesaid, shall be entitled to vote at that meeting, or any adjournment thereof.

No transfer of shares shall be made on the stock records of the Company during the period elapsing between said close of stock books and adjournment of the meeting on the day first established therefor. If a meeting is adjourned to a subsequent date, the stock books shall open upon adjournment so as to permit transfer, but not so as to affect the right of voting determined as above provided.

**Section 2.09. Business to be Transacted.** At the annual meeting, directors to the number authorized shall be elected, reports of the affairs of the Company shall be considered, and any other business may be transacted which is within the powers of the shareholders, including the amendment, repeal and adoption of bylaws, the approval and ratification of amendments to the Articles of Incorporation, and action upon or with respect to any or all questions and matters requiring the vote, consent or approval of the shareholders, or with respect to which the shareholders are permitted to act. At a special meeting, any business to be transacted must be specified in the notice of that meeting.

**Section 2.10. Manner of Voting at Shareholders Meetings.** At meetings of shareholders, all questions other than an election of Directors, or except as otherwise expressly provided by statute, or by these bylaws, shall be determined by majority vote of the shares represented at the meeting, and all voting shall be viva voce, (by voice) unless a majority in voting power of the share represented shall demand a vote by written ballot.

**Section 2.11. Election of Directors and Cumulative Voting.** In an election of Directors, the entire number to be elected shall be elected at the same time and upon a single vote or ballot and Directors shall not be elected separately or in any number less than the entire number to be elected. At such election cumulative voting shall not be allowed.

If there have been nominated for the office of Director more than the number to be elected, or upon the demand of any shareholder represented at the meeting, or if voting by mail has been provided for, the election shall be by written ballot, otherwise, it shall be viva voce.

**Section 2.12. Directors Elected at Special Meeting.** Whenever, for any reason, no election of Directors has been had for more than one year, a Board of Directors may be elected at a special meeting of the shareholders called for that (in addition to any other) purpose by the person or persons in the manner and upon the notice in these bylaws provided for calling and noticing special meetings of shareholders.

The terms of Directors elected at a special meeting shall expire at the same time as though they had been elected at the annual meeting next preceding such special meeting.

**Section 2.13. Inspectors of Elections.** Inspectors or an Inspector of Elections may be appointed in the manner and with the effect provided for in said Division I of The General Corporation Law, and shall have and exercise the powers and authority therein provided, subject to the provisions of law, the bylaws, and the rules and regulations.

The Board of Directors may make, and from time to time change, rules and regulations, for the conduct of elections, or any election, and for voting upon or with respect to any question or matter submitted to the shareholders for vote, consent or assent, so long as such action is not contrary to these bylaws or applicable law.

The Board may, by rule or resolution, prescribe the form of ballots for elections, or any election, or to be used for any vote; and may provide ballots for use of the shareholders at elections, or any election, or in taking any vote; and may, in the case of ballots to be used in an election of Directors, provide for printing thereon the name or names of candidates or nominees and may also provide for voting by mail, and for the nomination of Directors prior to the election.

Such rules may, in addition to any other matters, provide for the time, or times, and the method, of filing proxies, casting ballots and the tabulation and certification of votes; provided that all proxies must be submitted to the Company's principal office no later than twenty-four (24) hours before the start of any meeting to which the proxy pertains in order to be valid. All such rules and regulations shall operate impartially, fairly and equally.

Whenever the filing of proxies is limited to a time prior to the meeting, and whenever, in an election of directors, the polls are to open or close at a specified time, notice of such limitation and/or closing shall be stated in the notice of such meeting.

**Section 2.14. Changing Time of Annual Meeting.** The Board of Directors may advance or postpone (and thereby change), the time of any annual meeting (as fixed elsewhere in these bylaws) by not more than sixty days whenever it shall appear to the Board that such change is necessary or desirable. Such change shall be effected by resolution duly adopted by majority vote of the Board or by written assent of a majority of the Board members, filed with the Secretary, prior to giving notice of the meeting, and thereupon the time for that annual meeting shall be that so fixed by the Board, and notice of the meeting shall be given accordingly.

**Section 2.15. Quorum of Shareholders.** The presence in person or by proxy of the holders of at least twenty percent (20%) of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business, including the election of Directors. In case a sufficient amount of stock is not represented at any such meeting to constitute a quorum, the stockholders present thereat, either in person or by proxy, shall have the power to adjourn the meeting from time to time until the requisite amount of voting shares can be present.

**Section 2.16 Inspection of Company Records.** The share certificate book and the bylaws shall be open to inspection upon the written demand of any shareholder at any reasonable time during Company office hours, and for a purpose reasonably related to the person's interest as a shareholder. Such inspection may be made in person or by an agent or attorney, and shall include the right to make extracts. Demand of inspection shall be made in writing upon the President, Secretary or General Manager, if any, of the Company.

The accounting books, records and minutes of proceedings of the shareholders and the Board of Directors and any committee or committees of the Board of Directors shall be kept at such place or places designated by the Board of Directors, or, in the absence of such designation, at the Company's principal office. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The agendas and minutes of Board of Director and shareholder meetings; accounting books and records (including annual budgets prepared in accordance with Section 7.09, below, and any report issued under Section 7.03, below); the Corporation's annual report issued under Section 7.03, below; and any water quality tests the Company conducts shall be open to inspection upon the written demand of any Eligible Person (as defined in Section 3.08, below), at any reasonable time during the Company's usual business hours. Requests for such records described in the preceding sentence are limited to the three (3) calendar years preceding the date of the request for the records. Minutes of any Board of Director meeting must be made available within thirty (30) days after the meeting to which such minutes relate and the Company's budget shall be made available within thirty (30) days after the meeting at which the budget was adopted. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. A person requesting copies of any records from the Company under this section must pay for all copying and postage costs incurred in connection with the photocopying and delivery of the requested records.

## ARTICLE III.

### Directors

**Section 3.01. Provisions of The General Corporation Law.** Except in those particulars and to the extent hereinafter expressly provided for, all provisions (whether mandatory or permissive) of Division I of The General Corporation Law, as now or hereafter existing, are approved, adopted and made applicable to the Company; and whenever no express provision is contained herein with respect to any matter authorized or permitted to be regulated, fixed or established by or in the bylaws, it is intended to adopt and approve the provisions in said Division I pertaining thereto and regulating or providing for the same.

**Section 3.02. Number and Qualifications; Term.** The Company shall have five (5) Directors. A Director must be a shareholder. The term of office of a Director shall be one (1) year and shall begin immediately upon his/her election; and each Director so elected shall hold office until his/her successor is duly qualified and elected, or until he/she resigns or is removed from office, whichever shall first transpire. No Director, during the term for which he may have been elected, shall be deprived of his office by reason of removal of his residence from the state, but if any Director disposes of all his stock in the corporation and is not a stockholder therein, such fact creates a vacancy in his office as such Director, and such vacancy may, after a resolution shall have been adopted declaring such vacancy, be filled by the Board of Directors at any regular or special meeting. Any Director may be removed, with or without cause by a majority vote of the shareholders at a regular or special meeting of the shareholders.

**Section 3.03. Organization Meeting.** A meeting of the Board of Directors (to be known as the "Organization Meeting"), shall be held immediately following adjournment of the shareholders' meeting at which Directors are elected, for the purpose of organizing, electing and appointing officers. Any other business may also be transacted at such meeting. Notice of such meeting must be given as specified in Section 3.06, below.

If not held at the time appointed, or if reorganization be not effected or completed at such meeting, the business of reorganization shall be transacted or completed at the first regular or special meeting held thereafter, and if not then completed, then at any meeting, regardless of when held.

**Section 3.04. Regular Meetings.** Meetings of the Board to be known as "regular meetings," shall be held at a time appointed therefore by resolution adopted by majority of the Board. If the time appointed for a regular meeting falls upon a Saturday, Sunday or legal holiday, it shall be held at the same hour on the next succeeding business day. Notice of such meetings shall be given as specified in Section 3.06, below.

**Section 3.05. Special Meetings; Emergency Meetings.** Subject to compliance with the notice requirements set forth in Section 3.06, below, special meetings of the Board of Directors

may be held from time to time upon call by the President, or if he is absent or be unable or refuse to act, by any Vice President; and it shall be the duty of the President, or, if he be absent or be unable or refuse to act, then of any Vice President, to call a special meeting upon the written request of two Directors, specifying the purpose; and in the event neither the President nor Vice President shall call such meeting upon said request, then the same may be called by said two Directors. The call, in any instance, shall be delivered to the Secretary or person whose duty it is to give notice. An emergency meeting of the Board may be called by the President, or by any two directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required by Section 3.06, below.

**Section 3.06. Notice of Board of Director Meetings.** Notice of the time and place of all Board meetings must be provided, as specified in this paragraph, to all Eligible Persons, as defined in Section 3.08, below, at least four (4) days before the meeting. Notice of the meeting must specify the time and place of the meeting and must include an agenda for the meeting, specifying the items to potentially be discussed and upon which action may be taken. Notice of the meeting shall be posted at the outside of the Company's office, may be provided by e-mail to any Eligible Person if the Eligible Persons consents, and must be provided by mail to any Eligible Person who has requested mailed notice of the meetings; provided that the Corporation may recover from the recipient the reproduction and mailing costs for that requested notice.

Notices of meetings shall be delivered to Directors personally, by facsimile, by electronic mail or by telephone to each Director or sent by first-class mail, charges prepaid, addressed to each Director at that Director's address as it is shown on the records of the Company, or as may have been given to the Company by the Director for purposes of notice, or, if such address is not shown on such records or is not readily ascertainable, at the place where the meetings of the Directors are regularly held. In case the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, or by facsimile, electronic mail or telephone, it shall be delivered at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone shall be communicated to the Director.

**Section 3.07. Place of Directors' Meetings; Meetings by Telephone or by Electronic Transmission.** Meetings of the Board of Directors, whether regular or special, shall be held at such place within the State of California as has been designated from time to time by resolution of the Board, or by written consent of all members of the Board; and, in the absence of such designation, shall be held at the principal office of the Company. Any meeting, regular or special, may be held by conference telephone or similar communications equipment, so long as notice of the teleconferenced meeting is provided (including identifying at least one physical location where Eligible Persons, as defined in Section 3.08, below, may attend) and all Directors participating in the meeting, and any Eligible Person attending the meeting, can hear one another. All Directors participating by teleconference shall be deemed to be present in person at the meeting. The Board may not conduct a meeting by a series of electronic transmissions, except in the event of an emergency meeting, as described in Section 3.05, above, where all Directors consent in writing to the action.

**Section 3.08. Open Board Meetings; Executive Sessions.** All Board of Directors' meetings shall be open to attendance by Eligible Persons ("Eligible Persons" shall mean shareholders, non-shareholder customers who receive water service from the Company, and any elected city or county official who represents people who receive drinking water from the Company on a retail basis), except for executive sessions of the Board to discuss (a) litigation; (b) contracts to be formed with third parties; (c) shareholder discipline; provided that the shareholder that is the subject of any fine, penalty or other discipline has the right to attend the executive session; (d) personnel matters; or (e) a shareholder's payment of assessments where the shareholder requests to meet in executive session. Any matters discussed in executive session of a Board meeting must be generally noted in the minutes of the meeting at which the executive session took place. Any Eligible Person who desires to attend a Board of Directors' meeting must provide at least twenty-four (24) hours' prior written notice of his or her intent to attend that meeting. Any Eligible Person who attends a Board meeting must be allowed to speak at the meeting, although the Board can establish a reasonable time limit for such comments.

**Section 3.09. Limitation on Board Discussion and Action.** Other than for the exceptions listed in subdivision (i) of Corporations Code Section 14305, the Board of Directors may not discuss or take action on any item at a non-emergency Board meeting that is not placed on the agenda included in the notice for that meeting. Directors are also prohibited from taking action on any items outside of a Board meeting unless the item has been delegated by the Board to another person.

**Section 3.10. Violations of Open Meeting Requirements.** If an Eligible Person alleges the Board has violated the open meeting requirements specified in this article, before filing a legal action regarding that alleged violation, the Eligible Person must make a demand on the Board to cure or correct the alleged violation. The demand must be in writing, and must be submitted to the Board within ninety (90) days from the date the alleged violation occurred. The demand must state the Board action being challenged and the nature of the alleged violation. Within thirty (30) days of receipt of the demand, the Board must cure or correct the challenged action and inform the Eligible Person in writing of its actions to cure or correct, or inform the Eligible Person in writing of the Board's decision not to cure or correct the challenged action.

Within fifteen (15) days of receipt of the written notice of the Board's decision to cure or correct or not to cure or correct, or within fifteen (15) days of the expiration of the 30-day period to cure or correct, whichever is earlier, the Eligible Person may commence legal action. If the Eligible Person fails to commence the action within that fifteen (15) day period, the Eligible Person is then barred from later commencing the action.

**Section 3.11. Vacancies.** Any vacancy in the office of Director, however created or arising may be filled by a majority of the remaining Directors, though less than a quorum; and the shareholders may fill any vacancy existing at any time and not filled by the Directors, and at any annual meeting the shareholders may elect for the balance of the term of such office a successor to the office of any Director so appointed or selected by such Directors and upon such election the Director so elected shall take the place of the Director theretofore so appointed.

**Section 3.12. Quorum.** A majority of the authorized number of Directors shall be necessary to constitute a quorum for the transaction of business; and, unless otherwise required by law or these bylaws, every act or decision done or made by 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.

**Section 3.13. Compensation of Directors.** Directors shall receive no stated salary for their services as Directors, but each Director shall be paid for each regular or special meeting attended by him/her such reasonable sum not to exceed Two Hundred Dollars (\$200) per meeting, as such amount may be increased from time to time by the Board of Directors by resolution; provided, however, that no increase shall exceed five percent (5%) from the prior calendar year's compensation amount. A Director shall be allowed his/her reasonable expenses (which includes transportation, meals and lodging) when actually engaged in the business of the Company, to be audited, allowed and paid as other claims against the Company. Nothing herein shall be construed as precluding any Director from serving the Company in any other capacity and receiving reasonable compensation therefor. All employees, agents and consultants hired by the Company shall be paid reasonable compensation for their services according to the qualifications and performance of their duties.

**Section 3.14. 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 Company. 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 3.15. Performance of Duties by Director; Liability.**

(a) A Director shall perform the duties of a Director, including duties as a member of any committee of the Board upon which the Director may serve, in good faith, in a manner such Director believes to be in the best interests of the Company and its shareholders and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

(b) In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

(1) One or more officers or employees of the Corporation whom the Director believes to be reliable and competent in the matters presented.

(2) Counsel, independent accountants or other persons as to matters which the Director believes to be within such person's professional or expert competence.

(3) A committee of the board upon which the Director does not serve, as to matters within its designated authority, which committee the Director believes to merit confidence, so long as, in any such case, the Director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

(c) A person who performs the duties of a Director in accordance with subdivisions (a) and (b) shall have no liability based upon any alleged failure to discharge the person's obligations as a Director.

## ARTICLE IV.

### Notices

**Section 4.01. Applies to all Notices.** Except as in conflict with all, or other provisions of these bylaws, the provisions of this Article are intended to, and shall apply to all notices required, or permitted, to be given, including notices of shareholders' meetings, Directors' meetings and assessments.

**Section 4.02. By Whom Given, Method of Making, and Signing.** Notices shall be given by the Secretary, or by an Assistant Secretary or other designated person, if such assistant or other person is so directed by either the Secretary, the President, or the Directors. If the person whose duty it is to give any notice shall fail or refuse to do so, then it shall be given to any person thereto directed by the President or the Directors; or in the event of a called meeting, it may be given (in the event of such refusal or failure) by any person directed so to do by the person or persons calling the meeting. Whenever a written notice is required to be given, or is given, under these bylaws, or pursuant to any provisions of law, it may be made by any method appropriate for such purpose including by electronic transmission as allowed by law, or in part by one method and in other parts by another or other methods.

No notice need be actually signed or subscribed by the hand of the person giving it, and in lieu of actual signing, the name of such person may be made by the method used in making any other portion of the notice, or by any method by which any portion of the notice might be made, as hereinbefore provided.

**Section 4.03. Where Notice is to Be Mailed.** When notice is provided by mail, such notice shall be deposited in the United States Post Office in the city or community in which the principal office of the Company is situated, with postage thereon prepaid, and directed to the person to be served at the address of such person as it last appears on the records of the Company, if such address appears on the records of the Company; and if same does not appear on such records, then addressed to such person at the Post Office at or from which delivery of mail is made at the principal office of the Company. The notice shall be deemed to have been deposited in said Post Office if delivered to a letter carrier making mail deliveries from said Post Office, or when deposited in a letter box, or other mail receptacle from which mail is regularly collected for said Post Office.

**Section 4.04. Method, Publication and Form.** The Board of Directors, shall have power, subject to provisions of law, or of these bylaws specifically regulating the matter, from time to time and at any time, to determine and order, with respect to notices, or any notice, as follows:

(a) Where two or more methods are available, which method shall be used, and use of one method as to one or more persons to be served, and another method, or methods, as to others;

(b) The newspaper in which publication is to be made (if publication is authorized by the Board of Directors);

(c) The date or dates, of publication;

(d) The form and contents of the notice;

(e) The date of mailing or other delivery of the notice.

If the time has arrived when the person charged with the duty desires to give notice, and the Board has failed to determine any of the above, the same shall then be determined by such person; and the power reserved to and conferred upon the Board, as above stated, shall be exercised, and the determination made, by the person giving the notice.

**Section 4.05. No Notice to Person Giving Notice.** Where the person giving any notice belongs to the class entitled to notice, that notice need not be mailed to or otherwise served upon such person, and it shall be conclusively presumed that service of the notice has been made personally upon that person.

**Section 4.06. Actual Receipt of Notice.** Whenever any person (whether shareholder, Director or other) shall be entitled to any notice, actual receipt by such person of any writing intended as a special or specific notice to such person, or of any written or printed notice used or intended for use, generally, as or for notice to the class of which the person is a member, shall constitute and be notice of the contents of such writing, and due and sufficient service of such notice, regardless of how or in what manner served or how or in what manner, or by whom delivery was made, or how or in what manner or from whom it was received; and no other or further notice need be given or service made, and such person shall be deemed to have waived any irregularity or omission in respect of such notice and service, unless written protest specifying the grounds of insufficiency or the nature of the omission be immediately filed with the company.

## ARTICLE V.

### Officers

**Section 5.01. Number of Officers.** The officers of the Company (herein called "regular officers") shall be elected by the Directors, and shall be a President, a Vice President, a Secretary and a Treasurer. The Board may also appoint one or more additional Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as they deem desirable for the transaction of the business of the Company. The President and Vice President shall be members of the Board of Directors, and if either shall cease to be a Director at any time, he shall, ipso facto, (as a result of the fact itself) cease to be such President or Vice President. No other of said officers need be members of the Board of Directors. Any two or more of said offices, except those of President and Secretary, may be held by the same person. Regular officers shall be elected annually at the organization meeting of the Board, or whenever the Board shall determine; provided, they may always be elected whenever a vacancy exists. Other officers may be elected at any meeting of the Board. Unless sooner removed by the Board of Directors, or unless they resign or become or be disqualified, all of the officers shall hold office until their successors are chosen and qualified. Any officer, whether elected or appointed by the Board of Directors, may be removed at any time by the affirmative vote of a majority of the whole Board of Directors, and each officer shall take and hold office subject to the right of removal by the Board of Directors.

**Section 5.02. President.** The President shall be the chief executive officer of the Company, and as such shall:

(a) Preside at all meetings of the shareholders and Directors. Holding that position shall not prevent him from voting, either at a shareholders' meeting, or as Director at a Directors' meeting upon any question;

(b) Unless otherwise directed by the Board of Directors, sign as President all deeds and all other instruments in writing which have been first approved or authorized by the Board of Directors;

(c) Have, subject to advice of the Directors, general and active supervision of the business and affairs of the Company, and shall have power to cause the orders and resolutions of the Board to be carried into effect.

**Section 5.03. Vice President.** The Vice President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors shall prescribe.

**Section 5.04. Secretary.** The Secretary shall:

(a) Attend all meetings of the Board of Directors, and all meetings of the shareholders, and record all votes and minutes of all proceedings in a book to be kept for the purpose and perform like duties for the standing committees when required.

(b) Keep the corporate seal of the Company and books of blank certificates of stock, complete and countersign all certificates issued, and affix the corporate seal to all papers requiring a seal;

(c) Keep proper account books and such records and books pertaining to the issuance and transfer of shares as may be required by law or these bylaws or as the Board of Directors shall prescribe, and discharge such other duties as pertain to his office, or which may be required by law, or these bylaws, or by the Board of Directors. Such records and books may be maintained through an electronic database.

**Section 5.05. Treasurer.** The Treasurer shall:

(a) Have custody of the corporate funds and securities and keep full and accurate accounts of receipts and disbursements in books belonging to the Company and deposit all moneys and other valuable effects in the name and to the credit of the Company, in such depositories as may be designated by the Board of Directors;

(b) Disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements and render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all transactions as Treasurer and of the financial condition of the Company; provided, the Board may prescribe the manner in which funds shall be withdrawn from and paid out by any depository;

(c) Give the Company a bond if required by the Board of Directors, in a sum, and with one or more sureties satisfactory to the Board, for the faithful performance of the duties of his office, and for the restoration to the Company, in case of death, resignation, retirement or removal from office, of all books, papers vouchers, money and other property of whatever kind in his possession or under his control belonging to the Company.

**Section 5.06. Duties of Officers May Be Delegated.** In case of the absence of any officer of the Company, or for any other reason that the Board may deem sufficient, the Board may delegate, for the time being, the powers or duties, or any of them of such officer to any other officer or to any Director or other person, provided a majority of the entire Board concur therein.

## ARTICLE VI.

### Certificates and Transfers of Shares

**Section 6.01. Certificates and Transfers of Shares.** Certificates for shares shall be signed by the President or Vice President and the Secretary. Subject to the provisions of these bylaws, shares of stock of the Company may be transferred at any time by endorsement by signature of the owner, or his agent or legal representative and delivery of the certificate, but no transfer shall be valid, except between the parties thereto, until the same is entered upon the books of the Company; and no transfer of any share of stock of this corporation shall be made upon its books until after the payment of all indebtedness due to the Company from the person in

whose name each share or shares of stock stand on the books of said Company, whether such indebtedness arises from an assessment upon the stock standing on record in the name of such person, or for water tolls, or charges for water furnished or supplied to any person upon such stock. Stock which has been redeemed by the Company shall be transferred to a new shareholder only upon evidence that property has been purchased within the service area of the Company, as more fully discussed in Articles VIII and IX, below.

**Section 6.02. Form.** Subject to the provisions of law and these bylaws, certificates for shares shall be of such form and device as the Board of Directors, may direct. The Board of Directors may authorize uncertificated shares as permitted under California law, in which case the issuance of such uncertificated shares shall be recorded on the Company's records through an electronic database and evidence of such shares shall be provided to a shareholder upon written request.

The person to whom a share or shares of Company stock is or are issued shall be denominated therein as the "record holder," or by such other designation as shall be ordered by the Board pursuant to any provisions of law.

A voluntary encumbrance of the shares is herein called a "pledge."

The person in whose name a pledge of shares may be registered may be known as the "registered pledgee."

Each certificate shall be issued and held upon and subject to all of the conditions and provisions thereon stated, all of which shall be binding upon the record holder, the registered pledgee (if any) and any transferee or person claiming any interest in the shares, or any of them, evidenced thereby.

**Section 6.03. Registration of Pledge.** Upon satisfactory evidence of a pledge, the Company shall note the transaction (with the name of the pledgee) on its books or on the share certificate. One or more pledges may be so registered, their priority being indicated by the expressions "first pledgee," "second pledgee" and so forth.

**Section 6.04. Effect of Registration of Pledge.** When any pledge has been so registered, the shares shall be held, all rights held in respect thereof to be exercised, and the pledge released or transferred, upon and subject to the provisions, and in the manner and with the effect, as follows:

The record holder shall be deemed the shareholder as regards the Company, and as such, that record holder represents the shares and exercises all rights, votes, consents and assents in respect thereof. The record holder shall be entitled to the benefit of such services as the Company provides for or renders to its shareholders.

The rights and interest of the record holder and of any successor, and the title to such shares, may be transferred upon the books of the Company, and a new certificate issued subject to the pledge, without the act, consent or endorsement of the pledgee.

When a pledge has been so registered, and the address of the pledgee appears on the books or records of the Company, the Company will not sell or forfeit the pledged shares for non-payment of an assessment or of any other monies owed to the Company, including, but not limited to, unpaid water charges, unless at least ten (10) days prior to such sale or forfeiture, there is mailed to such pledgee at said address of the pledgee, or in lieu thereof, delivered to the pledgee, a copy of the notice of assessment given with respect to such assessment, or in lieu of such copy, a notice stating the fact of the assessment, or other information specifying such monies owed to the Company, and the time and place for the sale or forfeiture of delinquent shares.

The pledgee shall not be personally liable for the payment of tolls, water charges, or assessments, unless payment thereof has been assumed or guaranteed by the pledgee, or service rendered upon or to the order of the pledgee.

The interest and rights of the pledgee, as such, may be transferred on the records of the Company, and a new certificate issued (upon cancellation of the old) showing the new pledgee, or a pledge may be released without the act, consent or endorsement of the record holder, or of anyone appearing to be the owner of said shares.

**Section 6.05. Charges and Liens on Shares; Lien on Real Property.** Each rate, charge or toll for water delivered to or for the record holder of any shares by virtue of or in respect of ownership of such shares is a lien against said shares and on the record holder's underlying real property to which those shares are appurtenant, from the time when furnished until paid and such lien shall be paramount and superior to the lien of any pledge or subsequent lien against said real property. Said lien may be foreclosed in the manner now or as may be hereafter provided by law of the State of California for foreclosure of a pledge. Notice of time and place appointed for the sale of any shares upon foreclosure of such lien shall be mailed to the record holder of said shares and to any registered pledgee at the respective addresses of such record holder and pledgee as they then appear upon the books of the Company, and if no address appears for such record holder or pledgee, then mailed to such record holder or pledgee at the city or community where the principal office is situated. The Company may perfect its lien against the record holder's underlying real property by recording a Notice of Lien with the county recorder for the county where the underlying real property is situated after providing at least twenty (20) days' prior written notice to the record holder and any registered pledgee of the intent to record that Notice of Lien unless the amounts owing to the Company are not paid in full. The Company shall comply with the notice provisions of Corporations Code Section 423 with respect to any demands for payment of such assessments on shares of stock, or any proposed sale of shares resulting from an unpaid assessment on such shares. At any such sale or sales of stock, only the shareholder of record or the shareholder's authorized representative and the Company may bid and purchase such shares.

**Section 6.06. No Transfer While Unpaid Liens.** No transfer of the shares of the Company can or will be made on the books of the Company while any assessment, rate, charge or toll there against remains or is unpaid. Therefore, all monies owed to the Company must be

paid in full before such transfer of shares may occur and the transferee of such shares becomes entitled to receive water service from the Company.

**Section 6.07. Assessments and Liens.** The Board of Directors shall provide that each certificate shall bear on its face a statement that the shares evidenced thereby are assessable and subject to liens and such other provisions in connection therewith as it deems proper, subject to the law, the Articles of Incorporation, and these bylaws. The Company may impose assessments in accordance with the provisions of Corporations Code Section 423.

**Section 6.08. Penalties, Interest and Collection Costs.** Each shareholder shall be liable for payment of and shall pay to the Company, upon its demand, all expenses incurred by the Company in collecting or enforcing payment from such shareholder of any delinquent assessment, rate, charge, toll, or other indebtedness. Included in such expenses are any recording fees for a Notice of Lien recorded against any shareholder's real property and attorneys' fees in any proceeding for the enforcement of any liens herein provided for, or the collection of such indebtedness, whether by court action or otherwise, and all expenses of any sale.

All penalties on delinquent assessments, interest (at the annual rate of eight percent (8%)) on overdue rates, charges, tolls or other indebtedness, and expenses of collection, as above provided for, shall be added to the principal debt, and shall become and be a lien upon and against the shares and shareholder's underlying real property and be secured thereby and enforced in the same manner and with the same effect as the principal debt.

Wherever elsewhere in these bylaws or in the share certificates the terms assessment, rate, charge, toll, or any of them, shall be used, such term shall be deemed to include, in each and every instance whenever such construction is possible or permissible, all penalties, interest and collection expenses pertaining to such assessment, rate, charge or toll, or attaching, accruing or resulting from the non-payment thereof when due.

**Section 6.09. Record Holder Liable for Tolls and Charges.** The record holder of any shares shall be entitled to the delivery of all water apportioned to such shares, subject to suspension or discontinuance, as herein provided and shall be personally liable for the payment of all tolls, rates, charges, interest, costs and penalties in respect of or on account of such shares during the time the same are registered in his name on the books of the Company.

**Section 6.10. One Share per Meter.** For each service connection with the Company's water system at least one share of the Company's stock shall be attached to the land served with water through such service connection, as provided in Article IX of these bylaws.

## ARTICLE VII.

### Powers of Board of Directors

The Board of Directors (herein called “Board”), subject to restrictions of law, the Articles of Incorporation, or these bylaws, shall exercise all of the powers of the Company, and without prejudice to or limitation upon its general powers, it is hereby expressly provided that the Board shall have, and it is hereby given full power and authority, in its unlimited discretion (to be exercised by resolution adopted by majority vote of all the members of the Board, whether denominated a rule or regulation, or otherwise), in respect of the matters, and as hereinafter set forth to wit:

**Section 7.01. Seal.** To adopt, use and at will alter, a corporate seal of form and devise approved by the Board; provided there shall be set forth on said seal, the name of the Company and the State and date of incorporation. Said seal shall be affixed to the share certificates and such other instruments as the Board shall direct.

**Section 7.02. Share Register.** To prescribe the form and provide for keeping a share register and records pertaining to the issuance, registration and transfer of shares. Such register and records may be maintained in an electronic database.

**Section 7.03. Financial Reports; Financial Review.** To cause an annual report to be sent to the shareholders not later than 120 days after the close of the Company’s fiscal year. That report and any accompanying material may be sent to the shareholders by electronic transmission. The report shall contain a balance sheet as of the end of that fiscal year and an income statement and a statement of cash flows for that fiscal year. The annual report specified shall be sent to the shareholders at least 15 days prior to the annual meeting of shareholders to be held during the next fiscal year. The Company shall contract with a certified public accountant or public accountant to conduct an annual review of the Company’s financial records and reports. The review shall be subject to generally accepted accounting standards.

**Section 7.04. Rules and Regulations.** To adopt, repeal, modify, from time to time change, and enforce, all rules and regulations not inconsistent with the laws of the State of California, or with the Articles of Incorporation, or with these bylaws, by the Board deemed essential or desirable for the management or conduct of the Company's business and affairs, or the exercise of the Board's powers. Said rules and regulations may, in addition to any other things, provide for and regulate any of the matters in this Article referred to and authorized to be determined by the Board.

**Section 7.05. Transfer Fee.** To provide for the payment of a transfer fee to be fixed by the Board from time to time, for the transfer of shares upon the books of the Company.

**Section 7.06. Classes of Service.** To prescribe the classes of water service and the minimum number of shares required for service in any class.

**Section 7.07. Compulsory Exchange of Certificates.** To require the respective holders of outstanding share certificates, or of any such certificates, to surrender and exchange them for new certificates within a period to be fixed by the Board, not less than thirty days from the giving of notice whenever the Articles of Incorporation have been amended in any way affecting the statements contained in the outstanding share certificates, or whenever it becomes desirable for any reason, in the discretion of the Board, to cancel any outstanding share certificates and issue a new certificate therefor conforming to the rights of the holder. If any order requiring such surrender and exchange, the Board may provide that no holder of any such certificate ordered to be surrendered shall be entitled to vote or to receive any water or exercise any of the other rights of the shareholders of record until he shall have complied with such order, but such order shall only operate to suspend such rights after notice and until compliance. Notice of such order shall be given in the manner prescribed in these bylaws for notice of meetings of shareholders. Such duty of surrender may also be enforced by action at law; and any shareholder having the ability, or other person having the possession and control, refusing or failing to surrender and exchange any certificate in accordance with the order of the Board shall be liable to the Company for all damages incurred by it from such refusal or failure, including reasonable attorney's fees incurred by the Company in enforcing such duty.

**Section 7.08. Delegation of Powers; General Manager; Employment Policies.** To hire, and, as applicable, discipline and dismiss, a duly qualified general manager or other superintendent to oversee and manage the operation of the Company's water systems and related business operations. In consultation with the general manager or other superintendent, the Board of Directors shall approve a staffing plan for the Company's operations and set the compensation ranges for all positions of employment; provided, however, that the general manager or other superintendent shall be responsible for the hiring, performance evaluations, discipline and dismissal of all other Company employees. The Board of Directors shall adopt employment policies applicable to the Company's employees.

**Section 7.09. Budget.** To adopt an annual budget, in a duly called and noticed Board meeting, on or before the start of the Company's fiscal year to be covered by that budget. That budget shall include revenue to cover all operational costs, any necessary capital improvements, and the continued building of the Company's reserves, as required by law.

**Section 7.10. Rates, Charges, Tolls and Assessments.** To fix, and from time to time change, the rates, charges or tolls payable for water furnished to shareholders; and to levy, collect and enforce assessments against the shares of stock.

It shall lie within the power of the Board of Directors to determine what part of the revenue of the Company shall be raised by assessments and what part by tolls, rates or charges, and what amount or items shall be charged to current operation expenses and what to permanent additions or betterments.

**Section 7.11. Delinquency and Interest.** To provide the time when tolls, rates, charges and accounts shall be due and when delinquent, and for the payment of interest on past due tolls, rates, charges and accounts at the rate of not to exceed eight percent (8%) per annum.

**Section 7.12. Penalties.** To provide for the imposition and enforcement of a reasonable penalty, as the Board may establish from time to time, for violation of the rules and regulations of the Company.

**Section 7.13. Suspension of Service.** To provide for the suspension of water service and for discontinuance of water delivery, in accordance with applicable law, for violation of the rules and regulations, or for failure to pay any rates, charges, tolls, assessments, costs, interest, penalties or other sums payable to the Company and the time when and the conditions upon which such delivery or service shall be resumed. Such discontinuance may be solely with respect to delinquent shares, or with respect to all shares of the shareholder, whether delinquent or not.

**Section 7.14. Measuring and Diversion Devices.** To provide for, determine and fix the location and installation of the hydrants, and meters for turning out or measuring the water to which the respective shareholders may be entitled, and that hydrant or meter shall be installed or changed without the consent and approval of the Board, and each such hydrant or meter shall be installed and/or maintained at the expense of the shareholder or shareholders, using the same. Any such appliance shall be under the control of the Company, and be deemed a part of the Company's distributing system.

No shareholder, by virtue of the ownership of shares, shall be entitled to connect with the distributing system used by the Company for delivery of water, or to take water therefrom except with the consent and approval of, and upon and subject to the rules and regulations of, the Company pertaining thereto; and the Company reserves and shall have full control over all storing, distributing, measuring and diversion appliances, and over all water until it shall have been actually released or delivered to the shareholder.

**Section 7.16. Extension of Distributing System.** To provide and determine the place or places where, and the points to which, the water distributing system, or any other system, service, or appliance of the Company shall be located or extended. The holding of shares of the Company shall confer no right upon the shareholder to have any pipeline, water conduit, or other appliance of the Company enlarged or extended without the consent of the Board of Directors; and the Board of Directors shall, at all times, be the exclusive judge of the necessity and expediency of constructing, enlarging, changing and extending the water distribution system or other appliances of the Company and such expediency and necessity shall, at all times, be determined by and subject to the sole and uncontrolled discretion of the Board of Directors. The cost of any such extension of the water distribution system and of any required facilities pertaining to such extension shall be borne by the shareholder who requests that extension.

**Section 7.17. Insurance.** To purchase and maintain, in the Board's discretion, insurance in such limits as the Board deems appropriate to protect the Company and its directors, officers, employees and agents against loss and damage, including, but not limited, commercial general liability coverage, automobile coverage, employment practices coverage and errors and omissions coverage.

**ARTICLE VIII**  
**Miscellaneous Provisions**

**Section 8.01. Fractional Shares.** No share shall be divided into any fraction and no certificate shall be issued for any fractional share.

**Section 8.02. Separate Meters.** Water shall not be served to more than one landowner through a single meter, and no shareholder shall be entitled to more than one service connection for each share of stock owned by him/her.

**Section 8.03. Water District; Restriction on Use of Company Water on Lands within District.** As used in this Section, the expression "District" refers to and means all that certain land situated in the Counties of Riverside and San Bernardino, California, described as:

South Bench Subdivision 6, 7, 8 and 9 as per  
plats thereof recorded in the office of the County  
Recorder of San Bernardino County and  
Riverside County, California.

The District may be changed from time to time and at any time, in the manner and subject to the conditions hereinafter provided, so as to include lands not a part of the District immediately prior to the change, or exclude lands constituting a part of the District immediately prior to the change, or to do both.

Such change may be made by resolution of the Board of Directors, either (a) adopted by unanimous vote of all the members of the Board, or (b) adopted by majority vote of the Board of Directors and approved (in the case of less than unanimous vote of the Directors) by the vote or written consent of the Company's shareholders.

No lands constituting a part of the District at any time may be excluded from the District without the consent of any owner or owners of such excluded lands who may then be a shareholder of the Company, which consent shall be given or manifested in such manner as the Company's Board of Directors shall prescribe.

All water received from and delivered by the Company at any time shall be used solely and exclusively upon lands lying within the District as the same exists at such time.

The provisions of this Article are self-executing, and no shareholders, person, association, partnership, public corporation, private corporation, or other entity, shall transport or take or have any right to transport or take water supplied by the Company for use upon lands lying outside of the District at such time, and the Company may withhold delivery of any water because of its use or threatened use outside of the District. The Board of Directors may enact rules and regulations in aid of or to give effect to the foregoing provisions, subject to the provisions of the bylaws.

**Section 8.04. Indemnification.** To the fullest extent allowed by law, the Company shall defend any director, officer, employee or agent of the Company (collectively, “Indemnified Agent”) against, and indemnify any Indemnified Agent against, any demands, liabilities, claims, causes of action, lawsuits, judgments, costs or other expenses (including, but not limited to, attorneys’ fees and costs of litigation) related to such Indemnified Agent’s performance of services on the Company’s behalf; provided, however, that this defense and indemnification obligation shall not apply to any act arising from the intentional misconduct of the Indemnified Agent.

## ARTICLE IX

### Attachment of Stock to Land

**Section 9.01. Attachment of Share(s).**

Such attachment shall be made by delivering to the Company a written document signed by the holder(s) of record of the share in question (or greater amount of stock is the shareholder(s) so elects) stating that such one share (or more) is hereby attached to the land which shall be described in such document and which land is to be served through such connection.

After such attachment any share(s) so attached shall pass with the land to which it has been so attached and shall be incapable of severance from such land, either voluntarily or involuntarily, except (a) upon a sale or forfeiture for delinquent assessment, or (b) with the consent of the Board upon permanent cessation of water service by the Company to such land, or (c) in case of the attachment of more than one share, as to any share(s) in excess of the one share with the consent of the Board in the event of a permanent diminution in the amount of water to be supplied to such land.

**Section 9.02. Shares Pass with Land.** Whenever legal title to any parcel of land within the District shall be transferred, whether voluntarily or involuntarily, there shall automatically pass to and vest on the new owner of such parcel, the share or share(s) attached thereto, if any, except that the transferor of such parcel may expressly reserve the share(s), if any, in excess of one share if the Board of Directors shall determine that the share or share(s) which shall thereafter remain attached to such parcel will supply, for the year following such reservation, as much water as has been delivered to such parcel in the calendar year preceding that in which such determination shall be made.

If title to a portion of a parcel of land (to which stock is then attached) shall be transferred, there shall pass to and vest in the transferee, the number of shares that attached but in no case less than one share. Said fraction shall have as its numerator the number of square feet in the transferred part which has in the year preceding transfer been served with water under the attached shares and shall have as its denominator the number of square feet in the entire parcel which in such year has been served with water by the Company.

The Board of Directors shall have power to determine the number of shares passing with any parcel of land and to cause the same to be transferred upon the records of the Company, and its determination shall be conclusive.

Anything to the contrary in these bylaws elsewhere contained or implied, the Company or its Secretary may cause attached shares to be transferred on the books of the Company in the same manner and upon the same evidence as in the case of shares not attached, and the Company shall not be required to inquire into or determine the ownership of the land to which shares are attached. However, if and when the Company does know of a transfer of land to which shares are attached and knows the ownership of such land, it may at its option transfer the attached stock which would pass with such land under the terms of these bylaws, without the necessity of presentation of the certificate or certificates for such stock and without any endorsement upon such certificate(s). Likewise, the provisions of the Article IX are for the benefit of purchasers and encumbrances of land to which stock shall be attached as herein provided, and the provisions of this article may be enforced by them against the record holder(s) of such attached stock.

**Section 9.03. Hypothecation of Shares.** Attached shares may be hypothecated or encumbered only when the land to which the shares are attached is hypothecated or encumbered for the same obligation.

**Section 9.04. Protection of Company Officers and Agents.** No liability shall be incurred by the Secretary, or by the officers of the Company for transferring any shares or for refusing to transfer any shares as long as such Secretary or other officer acts in good faith and according to what is deemed the rights of the parties; and the attached shares shall be deemed of no value apart from the lands to which they are attached, (for the purpose of this paragraph) and each shareholder and other person with respect to attached shares expressly waives the benefit of all provisions of law imposing a penalty upon an office of a corporation for wrongfully transferring or failing to transfer shares of the corporation, and agrees the only remedy of such party is for actual damages, if any.

## RULES AND REGULATIONS

The South Mesa Water Company is a not-for-profit mutual water company, organized to develop and distribute domestic and irrigation water within its boundaries, to its shareholders only.

1. A charge or toll determined by and in accordance with a schedule of charges or rates established by the Board of Directors from time to time shall be payable to the Company on account of each class of service. Each class of service shall have a different rate. Such tolls shall be in addition to and independent of assessments against the shares, which assessments shall be levied from time to time for such amounts as the Board shall fix, and shall be collected and enforced in the manner provided by law. Shareholders shall be notified by the Company of any changes in rates within 30 days following such action by the Board.

2. Domestic meters shall be installed by the Company at the expense of the individual water user, shall be maintained by the Company, and belong to the system of the Company.

3. Irrigation meters shall be installed by the Company at the expense of the individual water user, shall be maintained by the Company, and belong to the system of the Company.

4. Shareholders desiring service, who own parcels of land within the system, which do not adjoin the Company's mains, must apply for pipeline extensions, which will be installed by the Company at the applicant's expense; and the cost of such extensions shall be based on labor and materials used, and an adequate deposit required before installation. All pipeline extensions and connections shall belong to the system of the Company.

5. As nearly as the Company's business and convenience will permit, meters for domestic and irrigation service shall be read bi-monthly and approximately on the same day of each calendar month, and statements for such service shall be rendered as soon as possible thereafter.

6. Domestic and irrigation tolls shall become delinquent 30 days after billing date, and the Company may at its option impose a fixed penalty or discontinue the services after delinquency.

7. Shareholders are required to notify the Company immediately of any change mailing address.

Notice is hereby given that at a meeting of the Board of Directors of the South Mesa Water Company held on the 5th day of October, 1960, the following resolution was adopted:

**RESOLUTION OF BOARD OF DIRECTORS OF SOUTH MESA WATER COMPANY  
TO ESTABLISH STANDARDS FOR CUSTOMERS TO  
PROVIDE SEPARATE METERS WITHIN THEIR MOBILE HOME PARKS,  
CONDOMINIUM DEVELOPMENTS,  
APARTMENT COMPLEXES OR OTHER PLANNED UNITS**

**ARTICLE I**

This Board of Directors has reviewed and considered the concerns of water subscribers who own and operate mobile home parks, condominium developments, apartment complexes or other planned unit developments, and they have reviewed and considered the concern of said owners or developers concerning regulation of water usage by those families occupying the individual units.

The Board of Directors recognizes that many customers wish to individually sub-meter their individual units even though the company provides water services through a master meter to the entire park or development.

In that the Company wishes to ensure that the residents or tenants of the parks or developments which are individually sub-metered do not pay more for water service than is charged by the Company to the park or development owner; be it resolved by the Board of Directors of the South Mesa Water Company as follows:

Owners or developers of mobile home parks, condominium developments, apartment complexes or planned unit developments may individually sub-meter each space or unit in the park or development, provided an application has been made and the master meter and backflow devices for the park or development have been installed by the company. Any owner or developer who wishes to individually sub-meter each space or unit must notify the company in advance of doing so and obtain specific permission.

The owner or manager of the park or development or the homeowners' association may bill tenants or parties residing within the development for water actually used at a rate which does not exceed the rate charged by the Company.

Upon agreement by the company to serve a mobile home park, condominium development, apartment complex or planned unit development through a master meter and backflow device, the park or development owner or manager who chooses to individually sub-meter and bill its tenants or residents, agrees to abide by the following rules:



# Attachment 2

## Adoption Resolution

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