

**BYLAWS of VILLA DEL MONTE MUTUAL WATER CO.
A California Non-Profit Mutual Benefit Corporation**

**Article I
Name and Address**

Section 1.1: The name of the corporation shall be the Villa Del Monte Mutual Water Co.

Section 1.2: The objects of the corporation shall be those set forth in its Articles of Incorporation.

No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting influence of legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidates for public office.

**Article II
Offices**

Section 2.1: The principal office for the transaction of the business of the corporation is located at Santa Cruz County, California. The Board of Directors shall fix the location of the principal executive office of the corporation at any place within the State of California. The directors may change the principal office from one location to another.

Section 2. 2: Branch or subordinate offices may be established at any time and at any place by the Board of Directors.

**Article III
Membership**

Section 3.1: (a) Eligibility in this corporation is limited to those owners of real property within the service area of the corporation who are shareholders as of the effective date of the conversion of the corporation from a general law corporation to a non-profit public benefit corporation. Each share of stock outstanding as of such date shall be converted to a membership in this corporation.

(b) Owners of real property within the service area of this corporation who are not, as of such date, shareholders in the general law corporation, may become members of the non-profit corporation upon payment of the current value of such membership, as determined by the Board of Directors and as based on an adequate water supply for all owners of real property within the service area.

(c) Water shall be sold, distributed and supplied or delivered only to holders of such membership certificate.

(d) The facilities of the corporation, and the area of service thereof, may be expanded from time to time by the Board of Directors. No such expansion shall take place without an engineer's report containing all relevant information (including a finding that such expansion will not substantially diminish the quality and quantity of service to existing members) and establishing the engineering feasibility of such expansion, and a treasurer's report establishing the feasibility of such expansion.

Section 3.2: Membership is recorded, tracked and maintained in the corporation's accounting software with appropriate support documents including notification of property sales from owners, real estate agents and mortgage company agents which may be provided by email or regular mail.

Section 3.3: Share of membership of the corporation is tied to ownership of real property in the service area and shall be transferred with the transfer of title at the close of escrow.

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Section 3.4: Board of Directors may levy and collect assessments upon all shares of membership of this corporation. The manner of levying assessments shall be governed by the provisions of Title 1 (commencing with Section 330.24) of Part 4 of Division 1, of the Civil Code of California.

Article IV

Directors

Section 4.1: The Board of Directors shall exercise the powers of the association, control its property and conduct its affairs, except as otherwise provided by law. All directors shall serve without compensation, but, by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at any regular or special meeting of the Board. Nothing herein shall be construed to exclude any director from serving the corporation in any other capacity and receiving compensation therefore.

Section 4.2: The Board of Directors shall be composed of five members. Each Director currently in office on the date of the conversion of the corporation from a general law corporation to a non-profit public benefit corporation shall remain in office until the next annual meeting of members. At such first annual meeting, but prior to election of directors, the directors shall provide by lot for two of the number to stand election at such meeting, and those so elected shall serve for a term of two (2) years. At the next succeeding annual meeting, the other three directors shall stand election and those elected shall serve for a term of two (2) years. Thereafter, each director will serve for a term of two (2) years. The respective terms will expire at the annual meeting of the members. At each annual meeting, new directors shall be elected to fill the term of those directors which have expired. Directors in office are eligible for reelection without limitation as to terms.

Section 4.3: A quorum shall be present when a majority or more of the directors are present at a meeting. Each director shall have one vote. If a quorum is not present, the directors present may adjourn such meeting without further notice other than an announcement thereat.

Section 4.4: Any vacancy occurring in the Board of Directors between annual meetings shall be filled, for the unexpired portion of the term, by a majority vote of the remaining directors, or by appointment of a sole director. Such director shall hold office until his or her successor is elected at the next annual meeting of the members, or any special meeting called for that purpose prior thereto. A vacancy shall be deemed to exist in the case of a death or resignation or removal of any director, or if the authorized number of directors shall be increased, or in a case the members, at any annual or other meeting, fail to elect the full number of directors, or whenever any vacancy is created in accordance with the law.

Section 4.5: Any one or more of the directors may be removed either with or without cause at any time by a vote of a majority of the members of the membership role, taken at any special meeting called for that purpose.

Section 4.6: (a) Meetings of the Board of Directors shall be held at such time and place as the Board, by resolution, may designate, and, if no such meeting place is designated, then such place as the president or other person or person calling meeting may designate.

(b) The president or any two of the directors may call a meeting of the Board of Directors at any time.

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(c) Immediately after election of directors at the annual meeting of the membership, the directors shall meet for the purpose of organization, the election of officers, and the transaction of other business.

(d) Notice of meetings of the directors shall be given to all directors in such manner as the Board of Directors, by resolution, may specify.

Section 4.7: Whenever by statute or by the provisions of Articles of Incorporation or these By-laws the members of the Board of Directors are authorized to take any action after notice, such notice may be waived, in writing, before or after the holding of the meeting, by the person or persons entitled to such notice, or, in the case of a member, by an attorney thereunto authorized.

Section 4.8: Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 4.9: The Board of Directors shall keep such records as required by Section 8320 of the Corporations Code. An annual report shall be presented at the annual shareholders meeting. Upon request of any member, the board shall make available the most recent financial reports.

Article V

Officers

Section 5.1: This Corporation shall have a President, Vice President, Treasurer and Secretary, and such other officers as shall be elected from time to time by the Board. All such officers shall be elected by and hold office at the pleasure of the Board of Directors.

Section 5.2: The duties and powers of the officers of the corporation shall be as follows:

(a) President - The President shall preside at all meetings of the members and shall execute on behalf of the corporation all certificates of stock, bonds, mortgages, deeds and leases and no other instruments shall be valid without his or her signature unless the execution of such instrument shall be otherwise specifically authorized by these By-laws or by a resolution of the Board of Directors.

(b) Vice President - The Vice President shall assist the President in the discharge of the President's duties, as required, and shall preside at all meetings and perform the duties of the President in the absence or disability of the President.

(c) Secretary - The secretary or their delegate shall have custody of and maintain all of the corporate records, except financial records; shall record the minutes of all meetings of the members and of the Board of Directors; send out all notices of meetings; and perform such other duties as may be prescribed by the Board of Directors or the President. Such records shall at all reasonable times be open to inspection by any director or member.

(d) Treasurer - The treasurer or their delegate shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. The treasurer or their delegate shall disburse funds of the corporation as may be ordered by the Board of Directors, shall render to the President and Directors, upon their request, an account of all of the transactions of Treasurer or of the delegate, and of the financial conditions of the corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or by these Bylaws.

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**Article VI
Meetings of Members**

Section 6.1: The annual meeting of members shall be held at the principal office of the corporation or at such other place as the Board of Directors may from time to time determine within the County of Santa Cruz, at 8:00 p.m. on the last week in March of each year, or on such a day and time as the Board of Directors may otherwise specify. If the day so designated shall fall on a Sunday or legal holiday, then the meeting shall be held upon the first business day thereafter. The Secretary shall cause to be served personally, or by mail, a written notice thereof, not less than ten, nor more than ninety days previous to such meeting, addressed to each member at his or her address as it appears in the accounting and administrative software.

Section 6.2: Special meetings of members, other than those regulated by statute, may be called at any time by the President, or by the Board of Directors, or by one or more shareholders, holding not less than one-fifth of the voting power of the corporation. The notice calling such special meeting shall state the purpose or purposes of the proposed meeting and the business to be transacted, and the business transacted at such special meeting shall be confined to the objects and purposes stated in the call. Written notice of such meeting, stating the time, place and purposes thereof shall be mailed to each certificate holder not less than five (5) days before such meeting. Such special meeting shall be held within the County of Santa Cruz, California, the location of the principal office for the transaction of business of the corporation.

Section 6.3: At all meetings of the members, each member shall be entitled to vote on the board of directors or from time to time any special proposals. Votes may be cast in person or by written authorized proxy.

Section 6.4: Each proxy must be executed in writing by the member of the corporation. No proxy shall be valid after the expiration of eleven months from the date of its execution, unless it shall have specified therein its duration.

Section 6.5: Election of board members shall be by majority of cast votes in person or by proxy at annual meetings.

Section 6.6: The secretary shall cause to be prepared and maintained a complete list of members entitled to vote with the name and address of each member. Such list shall be produced and kept current at the principal office of the Corporation and shall be open to examination by any member throughout such time. No share may be voted at any election which has been transferred on the corporation within five (5) days next preceding the date of such meeting.

**Article VII
Distributions**

Section 7.1: Except for the purchase and redemption of memberships as permitted by law, the corporation shall make no distribution except upon dissolution.

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Article VIII

Distribution on Dissolution or Liquidation

Section 8.1: The corporation is not organized for profit. No member of the corporation shall have any right, title of interest in or to the whole or any of the property or assets of the corporation, and no member shall be entitled to either the whole or any part thereof in the event of a termination of membership in the corporation. In the event the corporation is dissolved, the property and assets of the corporation shall be distributed to the members in good standing upon the date the association elects to wind-up and dissolve, as provided by law.

Article IX

Amendments

Section 9.1: By laws of the corporation are to be made, altered or rescinded by a majority vote of the Board of Directors of the corporation or by a majority vote of the members of the corporation at a special or regular meeting thereof, at which a quorum is present.

Article X

Committees

Section 10.1: The Board of Directors, by resolution, may from time to time designate ad hoc committees for specific purposes, to make recommendations to the Board of Directors. The resolution designating the committee shall provide for the appointment of its members and chairman, state its purposes, provide for its termination and specify that its committee is not empowered to act.

Article XI

Fiscal Year, Execution of Documents

Section 11.1: The fiscal year of the corporation shall be the calendar year from January 1 through December 31, inclusive.

Section 11.2: Except as otherwise provided by law, checks, drafts, promissory notes, orders for the payment of money and other evidences of indebtedness of the corporation shall be signed by the Treasurer and counter-signed by the President or, in the President's absence, the Vice President, or, in the absence of both the President and Vice President, any other person designated by the Board of Directors. Any contract lease or other instrument executed in the name of and on behalf of the association, shall be signed by the Secretary and counter-signed by the President, and shall have attached to it a copy of the resolution of the Board of Directors, certified by the Secretary authorizing its execution.

Article XII

Notice by Mail

Section 12.1: Any notice required by these Bylaws, when served by mail, shall be enclosed in a sealed envelope, with the postage prepaid thereon and address on the outside thereof to the person for whom it may be intended at the post office address of such person as it may appear on the records of the corporation. If such address shall not appear upon the corporation's records, such notice shall be addressed to such person at the principal office of the corporation. Also such notices shall be deposited in the United States Mail at Los Gatos, California.

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**Article XIII
Water Service, Rates and Regulations**

Section 13.1: The Board of Directors shall, by resolution, establish a uniform rate or schedules of rates chargeable to members of this corporation for the availability of, or the use of, or both, by such members of water supplied and distributed by the corporation. The rates so established shall not be in excess of the anticipated cost to this corporation of acquiring and maintaining its water distribution system and distributing and supplying water during the twelve months period following the establishment of such rate or rates. The rate or rates established by the Board of Directors shall be reviewed annually and adjusted to conform to such estimated costs for the ensuing twelve months period. The members of the corporation shall be notified in writing of the estimated rates and all subsequent adjustments and changes thereof.

The Board of Directors shall also establish a rate structure which will result in the accumulation and maintenance of a fund for the upgrading, improvement, repair and replacement of the water supply, distribution and fire protection system (the repair and replacement fund). The rate charged, moreover, must bear a reasonable relationship to the cost of furnishing water. Unimproved lots owned by members and within the area to be served must bear a proportionate share of the cost of repair and replacement of the water supply, distribution and fire protection system, as well as a proportionate share of the cost of maintaining the repair and replacement fund.

Section 13.2: The Board of Directors, by resolution, shall adopt, and may amend from time to time, rules and regulations respecting the establishment of such water rates or schedules of rates, the time and place and method of payment thereof, and the imposition of late charges in the event of a delinquency in payment. A copy of the rules and regulations shall be kept at the office of the corporation and be available for inspection by members. No further notice of such rules and regulations need be given.

Section 13.3: Each members shall be entitled to the distribution and delivery to such member of a proportionate share of all water produced by the corporation, not exceeding the actual needs therefore, for domestic and recreational use on the property described on the membership certificate owned by such member.

Section 13.4: The use of any water produced and supplied by the corporation on lands other than those that are shareholders and therefore members or its use for other than domestic purposes shall constitute grounds for temporary or permanent discontinuance of water service to such member and for the suspension or cancellation of such membership certificate. Before the discontinuance, suspension or cancellation, such member shall be given written notice of such unauthorized use of water and ordered forthwith to discontinue such unauthorized use. In the event of failure to discontinue such unauthorized use, or in the event of such member's subsequent unauthorized use, written notice shall be given to such member.

(a) of the temporary or permanent discontinuance of water service or of the suspension or cancellation of such membership share or any or all of these;

(b) a minimum of fifteen days prior notice of the date of such proposed discontinuance, suspension or cancellation;

(c) provide an opportunity for such member to be heard, orally or in writing, not less than five days before the effective date of such discontinuance, suspension or cancellation, by the Board of Directors shall review any such statement submitted and shall determine the mitigating affects, if any, of the information provided by such member.

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All written notices herein may be given by any means reasonably calculated to provide actual notice. Any notice given by mail shall be first class, or certified or registered mail sent to the last address of the member shown on the records of the corporation.

Any action challenging such discontinuance, suspension or cancellation must be brought within the period provided by, and subject to the provisions of, Section 7341 of the Corporation's Code of the State of California. The holder of such delinquent share shall pay all costs incurred and reasonable attorney's fees incurred in enforcement of this duty.

Section 13.5: Each owner of a lot or parcel of real property, whether improved or unimproved, within the service area of the corporation must purchase a membership in such corporation for each such lot or parcel. Purchase of the membership to which delinquent rates or special assessments have been applied is subject to discharge of the lien on the membership and payment of all delinquent charges.

Section 13.6: In the event that the corporation purchases water for distribution to members during a period of water scarcity or an entity providing fire protection service from a public utility, municipal water company or water district, each member shall be charged a pro-rata amount of the costs of such water.

**Article XIV
Rates, Assessments and Collection Procedures**

Section 14.1: Each member shall be entitled to the distribution and delivery to the property of such member of a proportionate share of all water produced for the corporation, not exceeding the actual needs of such member, for domestic and recreational use on the property owned by such member.

Section 14.2: Each member is obligated to pay the rates established by the Board of Directors for such distribution and delivery.

Section 14.3: If the Board of Directors determines that the rates to be collected will be inadequate to defray the expenses for the year due to the cost of any construction, unexpected repairs, replacement or enhancement of capital improvements, or any other reasonable and necessary expenses to further the purpose of the corporation, it may make and levy one or more special assessment for the for the additional sum or sums needed. Any such special assessment shall be levied equally on the holder of each shareholder.

Section 14.4: Late charges may be levied by the Board of Directors against a member for the delinquent payment off rates or special assessment. If such delinquency occurs, the Board of Directors may also recover all of the following from such member:

- a) Reasonable cost incurred in collecting delinquency, including reasonable attorney's fees
- b) A late charge not exceeding ten percent (10%) of the delinquent amount
- c) Interest of the foregoing sums, at an annual rate of ten percent (10%) commencing thirty days after the delinquency occurs. No late charge will be imposed more than once for the delinquency of the same payment. However, the imposition of a late charge on a delinquent payment shall not eliminate or supersede charges imposed on prior delinquent payments.

The corporation shall provide any member upon written request, with a statement specifying the amounts of any delinquency and related charges, interest and costs so levied.

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Section 14.5: Every levy of a special assessment shall specify the amount thereof and the purpose therefore, fix a date on which such assessment is payable, and fix a date, not less than thirty nor more than sixty days, from the date of which such assessment becomes delinquent if not paid. Such levy shall also fix a date, not less than fifteen nor more than sixty days, from the date in which the unpaid special assessment becomes delinquent, in which (i) the right to receive water will be permanently or temporarily denied or (ii) the forfeiture of the membership to the corporation, at the option of the Board of Directors. All delinquent rate charges, special assessments, and all ongoing charges for repair, maintenance and replacement of water supply distribution and fire protection systems become a lien against the membership.

Section 14.6: On or before the date a special assessment is payable, the secretary of the corporation shall give notice thereof. The notice will be mailed to each such member, addressed to the last address thereof appearing on the books of the corporation or given by the member to the corporation for purposes of notice. If the member so requests, such notice may be emailed.

Section 14.7: Upon the delinquency of any payment established by rate or rate schedule, the delinquent member shall be provided with a statement specifying the amount of such delinquency and related charges, interests and costs. Such statement shall fix a date, not less than thirty nor more than fifty days from the date of such delinquency at which the Board of Directors shall commence enforcement of such delinquency. Such notice shall also fix a date, not less than fifteen nor more than sixty days thereafter, at which, in the sole option of the Board of Directors, (i) the right to receive water will be permanently or temporarily denied, or temporarily denied, or (ii) membership to the corporation will be terminated. Any such termination shall be in accordance with applicable provision of Section 13.4 of these by-laws.

Section 14.8: Any delinquent rate or rate schedule charges or special assessments and any other charges, reasonable costs of collection, reasonable attorney fees and interest assessed in accordance with Section 14.4 and Section 14.5 shall become a lien upon the membership to the corporation to which such delinquent charges or special assessments apply, from and after the time the Board of Directors causes to be recorded with the County Recorder of Santa Cruz County, California, a Notice of Delinquent Rate Charges or Delinquent Special Assessments, which notice shall state the amount of such delinquency and such other charges as may be authorized by these by-laws, a description of the real property to which the membership applies and the name of the record owner of such real property and the fact of the record owners membership termination. Such notice shall be signed by an authorized representative of the Board of Directors. The Board of Directors shall cause to be recorded a further notice stating satisfaction and release of the lien on the membership upon payment of all delinquent rate charges, special assessments and other costs in accordance with which the lien was recorded. The lien provided for herein shall be prior to all other liens recorded subsequent to the recordation of such notice of delinquent rates or special assessments.

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Section 14.9: In addition to other collection procedures specified in these bylaws, and, at the option of the Board of Directors, any delinquent rate or rate schedule charges or special assessments and any related late charges, reasonable costs of collection and interest assessed in accordance with Section 15.4 shall become a lien upon the real property to which such delinquent charges or special assessments apply from and after the time the Board of Directors causes to be recorded with the County Recorder of Santa Cruz County, California, a Notice of Delinquent Rate Charges or Delinquent Special Assessments, which notice shall state the amount of such delinquency and such other charges thereon as may be authorized by these by-laws, a description of the real property against which the same has been assessed, and the name of the record owner thereof. Such notice shall be signed by an authorized representative of the Board of Directors. Upon payment of such delinquent rate charge or special assessment in accordance with which such notice has been recorded, or other satisfaction thereof, the Board of Directors shall cause to be recorded a further notice stating the satisfaction and the release of the lien thereof. The lien provided for herein shall be prior to all other liens recorded subsequent to the recordation of such notice of delinquent rates or special assessments. The lien may be enforced by sale by the Board of Directors, its attorney or other persons authorized to make the sale, after failure of the owner to pay such assessment in accordance with its terms. Such sale shall be conducted in accordance with the provisions of Section 2924 and 2924a through 2924h of the California Civil Code, applicable to the exercise of powers of sale and mortgages or deeds of Trust, or in any other way permitted by law. The association shall have power to purchase the real property to which the lien is applicable at a foreclosure sale and to hold, lease, mortgage and convey the same.

If this section is for any reason held to be unlawful, such decision shall not affect the remaining portions of these by-laws.

**Article XV
Salaries**

Section 15.1: All officers shall serve without compensation, but, by resolution of the Board, may be paid their reasonable expenses.

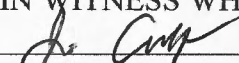
Section 15.2: By resolution, the Board shall set the compensation of all employees, which compensation shall not exceed the generally prevailing rates for like service and working conditions by other compatible employees.

Approved by the Board of Directors on May 19, 1986, amended March 19, 1991, amended on June 13, 2016.

CERTIFICATE OF THE SECRETARY OF
VILLA DEL MONTE MUTUAL WATER COMPANY
A California Nonprofit Public Benefit Corporation

I hereby certify that I am the duly elected and acting Secretary of said corporation and that the foregoing Bylaws constitute the Bylaws of the corporation as duly amended by the Board of the corporation on May 16, 2016

IN WITNESS WHEREOF, I have hereunto subscribed my name on this 13th day of June, 2016.



Jim Culp, Secretary