

H & J WATER COMPANY
A NONPROFIT MUTUAL BENEFIT CORPORATION
P.O. Box 1214, Julian, CA 92036

BYLAWS

ARTICLE 1 – OFFICES

Section 1.1 – PRINCIPAL OFFICE

The principal office of the Corporation for the transaction of its business is located in the County of San Diego, State of California, at such location as the Board of Directors may determine.

Section 1.2 – OTHER OFFICE

The Corporation may also have offices at such other places where it is qualified to do business, as the business may require, and as the Board of Directors may from time to time, by resolution so designate.

ARTICLE 2 – MEMBERSHIP

Section 2.1 – CLASSES OF MEMBERSHIP

There should be only one class of membership in the Corporation. All members should have voting rights in the Corporation and the voting rights of each member shall be equal. One (1) membership shall be allowed for each lot within the Pine Hills Subdivision of Frisius Park, according to Map thereof No. 1967, filed in the Office of the County Recorder of San Diego County, California on November 10, 1926; and that portion of the Northwest Quarter of the Southwest Quarter of Section 17, Township 13 South, Range 4 East, San Bernardino Base and Meridian in the County of San Diego, State of California, according to Map thereof No. 1957, filed in the Office of the County Recorder of San Diego County, California on November 18, 1926, known as parcel number 292-120-46-00 and (the “Service Area”). Each member’s membership shall be appurtenant to that member’s land owned within the Service Area, which shall be recorded in the Corporation’s records.

Section 2.2 – QUALIFICATIONS

Every person or entity who is a record owner of a fee or undivided fee interest in each lot within the Service Area eligible to become a member of the Corporation, upon proper application to the Board of Directors, payment of the initial application fees and subject to payment of such assessments, fees and charges levied by the Corporation, as set forth herein. One (1) membership shall be allocated to each lot within the Service Area. Concurrently with the submission and acceptance of a member's application, said member shall execute an easement to the Corporation for the installation service, maintenance and operation of water lines over, across and beneath his/her property in furtherance of the Corporation's specific goals to furnish water to its members.

Section 2.3 – ADMISSION

Qualified person(s) shall be admitted to membership on making application thereof on such form or forms as shall be described from time to time by the Board of Directors and on approval of the application by the majority of the Board of Directors. Such application forms shall contain the statement that the applicant has read the Articles of Incorporation, Bylaws, and the Rules and Regulations of the Corporation; that they are familiar with and understand the Articles of Incorporation, the Bylaws, and the Rules and Regulations and that if admitted to membership, he/she agrees to be bound thereby.

Section 2.4 – FEES, DUES AND ASSESSMENTS

A. There shall be an initial application fee in the amount of eight thousand dollars (\$8,000.00) or in such amounts as shall be determined from time to time by the vote of the members, on the recommendation of the Board of Directors, charged for, and payable with, the application of membership.

B. All members shall pay annual dues of five hundred and forty-six dollars (\$546.00) per year, or in such amount as shall be determined from time to time by the vote of the members, on recommendation of the Board of Directors. The annual dues will be billed quarterly with the water usage fees to all members in January, April, July, and October of each year, and will be due and payable within thirty (30) days of the date billed.

C. Members of the Corporation are subject to special assessments to advance the common purposes and to defray, in whole or in part, the cost of construction, reconstruction, repair or replacement of water wells and water pipelines in such amounts and to such times as may be approved by the vote of the members on recommendation of the Board of Directors. Such special assessments

shall be secured by a continuing lien on the property against which the assessment was made, as provided in subdivision E, below. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, which due date shall be thirty (30) days after the date notice of the assessment is mailed to the member, a late fee of fifteen percent (15%) of the assessment may be added to the members' account and the Corporation may bring an action at law against the member personally obligated to pay the same or foreclose the lien against the property, or both and interest, costs and reasonable attorney's fees of any such actions shall be added to the amount of such assessment. No member may waive or otherwise escape liability for the assessments provided for herein by nonuse or abandonment of member's lot. Special assessments shall be fixed at a uniform rate for all lots.

D. A special meeting of the members shall be called by the President for the purpose of approving a special assessment. A mail-in ballot to approve a special assessment of one-thousand dollars (\$1,000.00) or less per member, may be used in lieu of a special meeting with the approval of the Board of Directors.

E. To secure any monies due or to become due from each member for water delivered or to be delivered to such member and to further secure the payment of any assessment or charge levied by the Corporation, the Corporation shall have, and is hereby given, a lien upon such member's membership in respect of which water service is provided, and a lien upon the land of each member to which such member's membership in the Corporation is appurtenant. Upon any such delinquency in the payment of monies owed to the Corporation, the Corporation is authorized to take any actions necessary to perfect that lien. Such lien shall continue until any amount owing to the Corporation is paid or said land is sold to satisfy said lien. The Corporation shall perfect any lien against a member's real property by the recording of a notice of lien with the San Diego County Recorder, which claim of lien shall include all collection costs the Corporation has incurred through the date of recording of said lien, as well as interest and penalties that have accrued on the amount owing to the Corporation. In accordance with Corporations Code §14304, the Corporation shall provide any such member at least twenty (20) days' written notice before recording that lien. The Corporation shall comply with applicable law in the event it becomes necessary to foreclose upon any such lien in order to collect monies owed to the Corporation.

Upon payment to the Corporation of such delinquent sums and charges in connection therewith, or other satisfaction thereof, the Board of Directors shall cause to be recorded a further notice stating the satisfaction and release of such delinquent sums and charges. Such notices shall be signed on behalf of the

Corporation by any member of the Board of Directors. The Corporation may demand and receive the cost of recondition by such release recording same. Any purchaser or encumbrancer, acting in good faith and for value, may rely upon such Notice of Satisfaction and Release as conclusive proof of the full satisfaction of the sum stated in this notice or delinquent sums.

F. All such delinquency shall be enforced, collected, and foreclosed in the manner provided in these Bylaws.

G. Fee, dues, and assessments paid to Corporation become the property of the Corporation and any severable or individual interest of any member therein terminates on such payment.

H. Water usage fee shall be paid by members calculated at one dollar and sixty-four cents (\$1.64) per hundred (100) gallons or such amount as shall be determined from time to time by the vote of the members, on the recommendation of the Board of Directors. The water usage fee and annual dues will be billed to members quarterly in January, April, July, and October of each year, and will be due and payable within thirty (30) days of the date billed.

I. A late fee of fifteen percent (15%) of each past due amount will be assessed in each billing period or in such amount as to be determined from time to time by a vote of the members, on recommendation of the Board of Directors, which be added to a members account, if dues or fees are delinquent more than thirty (30) days. Should any member fail to pay their delinquent dues or fees after sixty (60) days of the date listed on the invoice, the member will be sent a notice by Certified Mail (Return Receipt Requested). If the delinquent dues or fees are not paid with fourteen (14) days of the date of that notice, the water serving that member's lot may be turned off. In no event shall the delinquency exceed one hundred eighty (180) days without Board approval.

J. The transfer of membership fee shall be three thousand dollars (\$3,000.00) or such amount as shall be determined from time to time by the vote of the members, on recommendation of the Board of Directors.

Section 2.5 – TERMINATION OF MEMBERSHIP

The membership of any member of the Corporation shall automatically terminate (1) on member's written request for such termination delivered to the President or Secretary of the Corporation, such membership to terminate when the request is received, or (2) on a member's failure to pay assessments, dues, fees, or charges within a period of ninety (90) days after they become due, provided notice by Certified Mail (Return Receipt Requested) thereof shall have been mailed to

member; provided that a member shall have the right to appeal any termination under this subdivision (2) to the Board of Directors, or (3) on the sale or transfer of the member's interest in his/her lot, provided however, that any subsequent purchases, upon application to the Board of Directors, may continue such membership, upon receipt of transfer documents for the membership in the water company, including a transfer fee on such terms and condition, including the assumption or payment of any outstanding annual dues, water fees, special assessments or late fees, levied against the property, as exist on the date of the member's termination, will transfer membership to the new owner.

Section 2.6 – MEMBERSHIP FEES

Applicant shall pay to H&J Water Company in advance eight thousand dollars (\$8,000.00) as a membership fee for each meter installation. In cases of new meter applications where no existing supply lines have been installed in or to the area involved, the cost of the design and installation of such additional lines will be paid by the current property owner(s) of the properties seeking installation of the meters in each case. Actual cost(s) of installation including meter and other requirements, shall be payable prior to work start. Contractors and other doing construction and/or repair work, etc. may apply to the Board of Directors of the H&J Water Company for temporary water delivery through a meter to be installed, read, and removed by H&J Water Company personnel only. All costs for such service and water shall be borne by the applicant. All future installation of water lines will follow the property lines when possible, and shall conform to the plans and specifications prepared by or on behalf of the applying member and provided to the Corporation. Water line routs to be maintained as straight as possible. Installation drawings of proposed water line(s) that will become the responsibility and property of the H&J Water Company, shall be submitted to the H&J Water Company no less than sixty (60) days prior to construction. The General Manager (Operator) or his/her designee shall inspect all water lines installed by contractors for conformance with applicable State of California Waterworks Standards and American Water Works Association (AWWA) or any successor organization/association specifications. No trench will be closed without H&J Water Company's approval, to ensure proper compaction. H&J Water Company reserves the right to approve the type of pipe to be installed, based on industry standards. All water delivered by the H&J Water Company will be furnished only through main services, meters, and meter boxes approved by the Corporation and installed in accordance with the plans the Corporation has approved. The H&J Water Company will confirm the location for the meter and meter box adjacent to the property line of the property to be served on the plans approved; the applicant to extend his/her own piping from this location. All meters and service pipes

installed by H&J Water Company upon the customer's premises, on the customer's side of the meter, for the purpose of delivering water to the customer's property shall continue to be the property of the H&J Water Company and may be repaired, replaced or removed by the H&J Water Company at any time. Meters and service shall at all times be accessible to the H&J Water Company for inspection, reading and testing. The H&J Water Company will determine the location on or along its distribution system of the diversion. Before any delivery will be made to a customer, there must be installed a service meter and meter box for measuring the water delivered to the customer. All piping and valves before the meter are the responsibility of H&J Water Company; all piping and valves after the meter are the responsibility of the property lot owner.

Section 2.7 – MEMBERSHIP RESPONSIBILITIES

The property owner must construct or cause to be constructed at his/her sole expense the facilities covered. The "facilities" are defined as "all piping, valves and/or any other plumbing fixtures after the meter". All facilities must be constructed in accordance with plans and specifications approved by the H&J Water Company. The determination of the extent of the area to be served by the proposed facilities shall be made by H&J Water Company, and a map delineating such area must constitute part of the contract. Only "off-site facilities", exceeding one hundred fifty feet (150') in length, shall be eligible for the reimbursement provision of this Section. "Off-site facilities" are defined as "facilities that do not solely benefit lands, owned, operated or controlled by the applicant". H&J Water Company agrees, upon transfer of ownership of the facilities including all requisite easements and rights-of-way, free and clear of all liens and encumbrances, to accept ownership, and thereafter to operate and maintain such facilities at the H&J Water Company's expense. Normally, H&J Water Company may allow the owner to construct such facilities, provided the work is executed under the direction of a civil engineer, registered in the State of California and by a contractor, licensed by the State of California and acceptable to the H&J Water Company. All work shall be guaranteed for one year from date of acceptance of any facilities, a complete set of "as-built" plans must be furnished to H&J Water Company. In the event other properties make use of the off-site facilities in connection with future projects or development, the Corporation may require the owner of those projects or developments to pay a reasonable proportion of the cost for the original construction of those off-site facilities, which the Corporation may then reimburse to the member, or the member's successor-in-interest, who originally constructed the off-site facilities.

Section 2.8 – WATER SERVICE

The water owned by this Corporation shall only be sold, distributed, supplied, or delivered to the Corporation's members or their properties, for commercial, industrial, irrigation or domestic use only upon land to which the membership is appurtenant, and no water shall be supplied or delivered by the Corporation to any person or corporation who is not a member in the Corporation except as otherwise provided in this subdivision. The water of the Corporation that is available for delivery shall be deemed apportioned among the members, so that during a given period of time each member shall be entitled to receive the same amount of water as every other member; but if any consumer fails to draw the full amount apportioned to the member, the right to any apportioned water not drawn shall be waived, and such water may be taken by the consumers, subject always to payment of rates and charges, and the rules of the Corporation. In the event the Corporation owns water that is in excess of the water which will be used by the shareholders, the Corporation may lease or sell said water to persons or entities other than the members, so long as any such sale is permissible under applicable law and does not subject the Corporation to the jurisdiction of the California Public Utilities Commission.

Section 2.9 – APPURTENANT MEMBERSHIPS

By reason its appurtenant nature, memberships shall only be transferred with such lot or lots within the Service Area described in Section 2.1, above, and shall pass as an appurtenance thereto. No water shall be obtained or used under or by virtue of any membership until the membership has been located upon some definite lot included in the lands within the Service Area.

When a membership is issued the membership made appurtenant to the lands to which that membership is appurtenant shall only be transferred with said lands and shall not be severable. Memberships shall pass as an appurtenance to such lands being transferred.

The lands described in Section 2.1, above, may be revised by amendment to these Bylaws; provided, however, that no lands constituting a part of the Service Area to which a membership is attached may be excluded from the Corporation without the consent of the owner or owners of such excluded lands which consent shall be given or manifested in such manner as the Board shall require.

ARTICLE 3 – MEETING OF MEMBERS

Section 3.1 – PLACE

Meetings of members shall be held at the principal office of the Corporation or at such other place, in compliance with local, State, and Federal laws, as may be designated from time to time by the Board of Directors.

Section 3.2 – REGULAR MEETINGS

Members shall meet regularly on the *fourth Sunday of June each year* or at such other times and places, in compliance with local, State, and Federal laws, as may be designated from time to time by the Board of Directors. The Proposed Budgets (one for General Fund, and one for capital improvements) will be sent by U.S. Mail or by electronic mail not less than ten (10) days, and not more than ninety (90) days, prior the Annual Meeting; provided that if the notice is given by U.S. Mail, the notice shall be given at least fifteen (15) days before the meeting.

Section 3.3 – SPECIAL MEETINGS

Special meeting of the members may be called by the President of the Corporation any two (2) directors, or by at least five percent (5%) of the membership of the Corporation. The meeting will be held at such a time and place, in compliance with local, State, and Federal laws, as ordered by a resolution of the Board of Directors.

Section 3.4 – NOTICE

Written notice of the time and place of a meeting shall be delivered personally to each member or sent to each member via United States mail and/or electronic mail (i.e., email, text, etc.) at least ten (10) days, and not more than ninety (90) days prior to such meeting; provided that if the notice is given by U.S. Mail, the notice shall be given at least fifteen (15) days before the meeting.

Emergency notification to all members of the Corporation regarding water potability or other issues may be made by telephone or electronic messaging (i.e., emails or text).

Section 3.5 – QUORUM AND VOTING

A quorum shall consist of a majority of all members. Members shall be considered present if their signed proxy is available at any meeting. Voting shall be voice vote, provided, however, that if one member proposes and another member seconds the motion, the election process shall be by a secret ballot.

ARTICLE 4 – DIRECTORS

Section 4.1 – NUMBER AND QUALIFICATION OF DIRECTORS.

The number of Directors of the Corporation shall be at least three (3) and no more than five (5) directors per fiscal year. There needs to be an odd number of directors for the Corporation.

Section 4.2 – ELECTION AND TERM OF OFFICE OF DIRECTORS.

Directors shall serve terms of two (2) years, to be elected by the members present in person or by proxy, at the annual meeting of the members at which the director's term for the seat to be filled is to expire. The Corporation shall stagger the director's terms, with the agreement of the directors, so that two (2) directors' terms expire in one year and one (1) directors' term expires the following year, if there are three (3) Directors terms expire in one year and two (2) Directors terms expire the following year, if there are (5) Directors. Each director so elected or who may be appointed, as herein provided shall hold office for the term of the office for which elected or appointed and until his or her successor is elected or appointed and qualifies for office, or until he or she resigns or is removed from office, as herein provided, whichever event shall first occur. Directors shall be eligible for reelection without limitation on the number of terms they may serve.

Section 4.3 – ELECTION OF OFFICERS.

The Officers of the Corporation shall be a President, Secretary and Treasurer, all who must be Directors of the Corporation. Officers shall be elected by the Directors at the annual Board of Directors' meeting, to be held after the completion of each annual meeting of the members. Officers shall be eligible for reelection without limitation on the number of terms they may serve.

4.3(a) – Removal of Directors and Officers. A Director may be removed as provided by the Corporations Code. Any Officer may be removed, with or without cause, (i) by the Board, at any regular or special meetings of the Board, or at the annual meeting of the Corporation, or (ii) by an Officer on whom such power or removal may be conferred by the Board.

4.3(b) – Resignation of Directors and Officers. Any Director or Officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any of the Corporation under any contract to which the Officer is a party.

4.3(c) – Vacancies in Director and Officer positions. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office, provided that such vacancies shall be filled as they occur and not on an annual basis. In the event of a vacancy in any office shall be filled by the majority of the remaining Board for the rest of the term of office being filled. If no one steps forward to finish the open office, then the Board shall at its next regular meeting or by calling an Emergency Meeting by the majority of the members of the Corporation vote in a replacement.

Section 4.4 – GENERAL DUTIES OF OFFICERS

It shall be the general duty of the elected Officers to serve as the Board of Directors of the Corporation.

A. To perform any and all duties imposed on them COLLECTIVELY or INDIVIDUALLY by local, State, and Federal laws, by the Articles of Incorporation, these Bylaws, or the Rules and Regulations of the Corporation.

B. To employ such Officers, agents, and employees as may be authorized from time to time by vote or written consent of a majority of the Board, but not to exceed twenty thousand dollars (\$20,000.00).

C. To supervise all Officers, agents, and employees of the Corporation to assure that their duties are properly performed.

D. The Board of Directors shall review the Bylaws every year ending in a multiple of five (5). [This does not preclude the Board of Directors, with vote of members of the Corporation, of changing the Bylaws in the interim years.] The Board of Directors shall propose changes to the Bylaws with a vote of the members of the Corporation to approve any such amendments.

E. The Board of Directors shall adopt and as needed, improve the Rules and Regulations. [Changes to the Rules and Regulations may be done by a majority vote of the Board of Directors.]

F. The proposed Annual Budget for the General Fund and a proposed Budget for Capital Improvements will be sent to the members of the Corporation by United States mail and/or electronic mail (i.e., emails, text, etc.) not less than ten (10) days prior to the Annual Meeting.

(i) The bank account for H&J Water Company's Capital Improvements will hold the funds separately for (1) capital improvements, and (2) the well.

G. To foreclose the lien against any property for which assessments are not paid within the above-referenced Section 2.4, subsection I or to bring an action of law against the owner personally obligated to pay the same.

H. Directors will receive a stipend of seventy-five dollars (\$75.00) a quarter during their terms. The Directors also shall be allowed and paid actual and necessary expenses incurred in the performance of their duties upon the approval of a majority of the Directors. Directors and/or members of the Corporation, with Board approval, may be compensated for their time at a reasonable hourly rate not to exceed five-thousand dollars (\$5,000.00) annually.

I. Meetings shall be held at the principal office of the Corporation, unless otherwise provided by the Board, at such time and places as may from time to time be designated by resolution of the Board, in any event no less than once a quarter. Meetings must comply with State and Federal laws.

J. Written notice of the time and place of Board of Director meetings shall be delivered personally to each member or sent to members via United States mail or electronic mail (i.e., email, text, etc.) in accordance with Section 3.4 above.

K. A simple majority of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present, is the act of the Board of Directors and hence of the Corporation, unless the Articles of Incorporation or these Bylaws require a greater number or otherwise provide. Meetings must comply with local, State, and Federal laws, such as the Mutual Water Company Open Meeting Act (Corporations Code §14305). Minutes of meetings shall be sent to all members of the Association within thirty (30) days of any meeting.

L. Meetings of the Board of Directors shall be governed by the Roberts Rules of Order as such rules may be revised from time to time, insofar as such rules are not inconsistent or in conflict with these Bylaws, the Articles of Incorporation, the Rules and Regulations of the Corporation, and local, State, and Federal laws.

Section 4.5 – DUTIES OF PRESIDENT

The President, or in his/her absence, the Secretary shall preside over all meetings of the Corporation and of the Board of Directors. The President shall exercise a general supervision over all the affairs of the Corporation. The President shall oversee the General Manager (Operator) and the Shift Manager (part-time Operator) and their duties. The President shall ensure complete files for

compliance with California State and San Diego County water testing, mandated inspections, etc. The President shall keep all legal documents and files in order. The President shall be responsible for the reporting of the Consumer Confidence Report. He/she may enlist the aid of another in completing the on-line requirement of the Confidence Report the first of April of each year and the filing of the physical report with the County and dissemination to all members (and any other reports that are required throughout the year).

Section 4.6 – DUTIES OF SECRETARY

The Secretary shall keep a complete record of all proceedings and correspondence of the Corporation and the Board of Directors. He/she shall send notices of any and all meetings by mail and/or electronic mail to members of the Corporation or Board of Directors, as required. He/she shall keep a yearly updated roll of the members of H&J Water Company. He/she shall be in charge of getting the mail for the H&J Water Company and keeping files of the correspondence regarding the Corporation. He/she will disseminate the correspondence to the correct “agent”, i.e., President, Treasurer, etc., for purposes of answering or adhering to the correspondence. The Minutes of all meetings shall be disseminated to all members of the Corporation within thirty (30) days of each meeting by U.S. mail and/or electronic mail.

Section 4.7 – DUTIES OF TREASURER

The Treasurer shall keep the financial books, ledgers and accounts of the H&J Water Company and shall perform any other duties usually assigned to this office, giving bond, if required by the Board of Directors. He/she will prepare the quarterly invoices for all the members, and receive and deposit all payments for said invoices. He/she shall make payments only for bills properly approved by the Board of Directors. He/she shall prepare an Annual Budget to be approved by the Board of Directors prior to the Annual Meeting and then voted on by the members of the Association at the Annual Meeting. In the absence or incapacity of the Treasurer, his/her power to sign checks may be delegated by the Board of Directors to one of its members.

Section 4.8 – DUTIES OF DIRECTORS AT LARGE

The Directors at Large (that is, those Directors not serving as President, Secretary, or Treasurer) will aid the other Officers in the course and scope of their duties, if necessary. The Directors at Large can help in notifying members of the Corporation in case of negative water testing, or other unforeseen community emergencies with regards to H&J Water Company. The Directors at Large may assume the responsibilities of the named Officers (i.e., Secretary and Treasurer) if

they become incapacitated or resign, with the agreement of the majority of the Board of Directors. The Directors at Large main purpose is to aid in the smooth and successful running of the business of the H&J Water Company which is the dissemination of healthy drinking water to it members.

Section 4.9 – HIRING/FIRING OF EMPLOYEES FOR THE CORPORATION.

Unless delegated by action of the Board of directors to a manager hired by the Corporation, the majority of the Board may hire employees to help with the regular running of the business of selling water at a regular Board Meeting. The compensation will be at the sole discretion of the Board. The Board will need to take prudent steps to make sure that the compensation is within the standards of the line of work being hired. The Board will also need to be sure that the compensation is covered by the accepted Budget done at the last Annual Meeting.

Unless delegated by action of the Board of Directors to a manager hired by the Corporation, the firing or disciplining of employees is the decision of the majority of the Board Members and can be decided upon with or without cause.

This provision does not impact the Board or its members the ability to hire independent contractors including those for emergency repairs.

ARTICLE 5 – IDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENT

Section 5.1 – DEFINITIONS

For purpose of this Article 5.

A. “Agent” means any person who is or was a Director, Officer, employee, or other agent of the Corporation, or is or was serving at the request of the Corporation as a Director, Officer, employee, or agent of another foreign or domestic corporation, partnership joint venture, trust, or other enterprise, or was a Director, Officer, employee, or agent of a foreign or domestic corporation that was a predecessor corporation of the Corporation or of another enterprise at the request of the predecessor corporation.

B. “Proceeding” means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative.

C. “Expenses” includes, without limitation, all attorneys’ fees, costs, and any other expenses reasonably incurred in the defense of any claims or proceedings against an Agent by reason of his or her position or relationship as Agent and all

attorneys' fees, costs, and other expenses reasonably incurred in establishing a right to indemnification under this Article 5.

Section 5.2 – APPLICABILITY OF INDEMNIFICATION PROVISIONS.

A. Successful Defense by Agent. To the extent that at Agent has been successful on the merits in the defense of any proceeding referred to in this Article 5, or in the defense of any claim, issue, or matter therein, the Agent shall be indemnified against expenses actually and reasonably incurred by the Agent in connection with the claim.

B. Settlement or Unsuccessful Defense by Agent. If an Agent either settles any proceeding referred to in this Article 5, or any claim, issue, or matter therein, or sustains a judgment rendered against him/her, then the provisions of Section 5.3 through Section 5.6 shall determine whether the Agent is entitled to indemnification.

Section 5.3 – ACTIONS BROUGHT BY PERSONS OTHER THAN THE CORPORATION.

This Section 5.3 applies to any proceeding other than an action “by or on behalf of the Corporation” as defined in Section 5.4. Such proceedings that are not brought by or on behalf of the Corporation are referred to in this Section 5.3 as “Third Party proceedings”.

A. Scope of Indemnification in Third Party Proceedings. Subject to the required findings to be made pursuant to Section 5.3(B), the Corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any Third Party proceeding, by reason of the fact that such person is or was an Agent, for all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with the proceeding.

B. Required Standard of Conduct for Indemnification in Third Party Proceedings. Any indemnification granted to an Agent in Section 5.3(A) above is conditioned on the following. The Board must determine, in the manner provided in Section 5.5, that the Agent seeking reimbursement acted in good faith, in a manner he/she reasonably believed to be in the best interest of the Corporation, and, in the case of a criminal proceeding, he or she must have had no reasonable cause to believe that his or her conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or on a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith or in a manner he or she reasonably believed to be in the

best interest of the Corporation or that he or she had reasonable cause to believe that his or her conduct was unlawful.

Section 5.4 – ACTION BROUGHT BY OR ON BEHALF OF THE CORPORATION.

This Section 5.4 applies to any proceeding brought (i) by or in the right of the Corporation, or (ii) by an Officer, Director or person granted relator status by the Attorney General, or by the Attorney General, on the ground that the defendant Director was or is engaging in self-dealing within the meaning of *Section 5233* of the California Nonprofit Corporation Law, or (iii) by the Attorney General or person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust (any such proceeding is referred to in these Bylaws as a proceeding “by or on behalf of the Corporation”).

A. Scope of Indemnification in Proceeding By or On Behalf of the Association. Subject to the required findings to be made pursuant to Section 5.4(B), and except as provided in Sections 5.4(C) and 5.4(D), the Corporation may indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding by or on behalf of the Corporation, by reason of the fact that such person is or was an Agent, for all expenses actually and reasonably incurred in connection with the defense or settlement of such action.

B. Required Standard of Conduct for Indemnification in Proceeding By or On Behalf of the Corporation. Any indemnification granted to an Agent in Section 5.4(A) is conditioned on the following. The Board must determine, in the manner provided in Section 5.5, that the Agent seeking reimbursement acted in good faith, in a manner he or she believed to be in the best interest of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

C. Claims Settled Out of Court. If any agent settles or otherwise disposes of a threatened or pending action brought by or on behalf of the Corporation, with or without court approval, the Agent shall receive no indemnification for amounts paid pursuant to the terms of the settlement or other disposition. Also, in cases settled or otherwise disposed of without court approval, the Agent shall receive no indemnification for expenses reasonably incurred in defending against the proceeding, unless the proceeding is settled with the approval of the Attorney General.

D. Claims and Suits Awarded Against Agent. If any Agent is adjudged to be liable to the Association in the performance of the Agent’s duty to the Corporation, the Agent shall receive no indemnification for amounts paid pursuant

to the judgment, and any indemnification of such Agent under Section 5.4(A) for expenses actually and reasonably incurred in connection with the defense of that action shall be made only if both of the following conditions are met:

(1) The determination of good faith conduct required by Section 5.4(B) must be made in the manner provided for in Section 5.5; and

(2) Upon application, the court in which the action was brought must determine that, in view of all of the circumstances of the case, the Agent is fairly and reasonably entitled to indemnity for the expenses incurred. If the Agent is found to be so entitled, the court shall determine the appropriate amount of expenses to be reimbursed.

Section 5.5 - DETERMINATION OF AGENT'S GOOD FAITH CONDUCT.

The indemnification granted to an Agent in Section 5.3 and Section 5.4 is conditioned on the findings required by those Sections being made by:

(1) The Board by a majority vote of a quorum consisting of Directors who are not parties to the proceeding; or

(2) The court in which the proceeding is/was pending. Such determination may be made on application brought by the Corporation or the Agent or the attorney or other person rendering a defense to the Agent, whether or not the application by the Agent, attorney, or other person is opposed by the Corporation.

Section 5.6 – LIMITATIONS.

No indemnification or advance shall be made under this Article 5, except as provided in Section 5.2(A) or Section 5.5(2), in any circumstances when it appears:

(1) That the indemnification or advance would be inconsistent with a provision of the Articles of Incorporation, as amended, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(2) That the indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 5.7 – ADVANCE OF EXPENSES.

Expenses incurred in defending any proceeding may be advanced by the Corporation before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the Agent to repay the amount of the advance unless

it is determined ultimately that the Agent is entitled to be indemnified as authorized in this Article 5.

Section 5.8 – CONTRACTUAL RIGHTS OF NON-DIRECTORS AND NON-OFFICERS.

Nothing contained in this Article 5 shall affect any right to indemnification to which persons other than Directors and Officers of the Corporation, or any of its subsidiaries, may be entitled by contract or otherwise.

Section 5.9 – INSURANCE.

The Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any Agent, as defined in this Article 5, against any liability asserted against or incurred by any Agent in such capacity or arising out of the Agent's status as such, whether or not the Corporation would have the power to indemnify the Agent against the liability under the provisions of this Article 5.

ARTICLE 6 – EXECUTION OF INSTRUMENTS, **DEPOSITS AND FUNDS**

Section 6.1 – EXECUTION OF INSTRUMENTS

The Board of Directors, except as otherwise expressly provided in the Articles of Incorporation or in these Bylaws, may by resolution authorize any officer or agent of the Corporation to enter into any contract and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances, provided, however, that such contract or delivery is expressly authorized by the Articles of Incorporation or Bylaws and approved by the vote or written consent of a majority of the members of the Corporation.

Section 6.2 – CHECKS AND NOTES

Except as otherwise specifically determined by resolution of the Board of Directors, or as otherwise required by law, by the Articles of Incorporation, or by these Bylaws, the President, the Secretary, and the Treasurer will be signors on any and all bank accounts for the H&J Water Company. Any and all checks, drafts, promissory notes, orders for payment of money and evidence of indebtedness of this Corporation shall be signed by at least two of the signors.

A. The President is authorized to spend one-thousand five hundred dollars (\$1,500.00) per incident; not to exceed four-thousand dollars (\$4,000.00) annually without the majority approval of the Board of Directors.

Section 6.3 – DEPOSITS

All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE 7 – OBLIGATION OF OWNERS

Section 7.1 – MAINTENANCE AND REPAIR

Every member shall perform all maintenance and repair work within member's own Lot, beyond the connection of the Corporation's water service, being expressly responsible for the damages and liabilities that his/her failure to do so may engender.

Section 7.2 – INTERNAL REPAIRS

All the repairs of water lines, mains, and pipelines, beyond the connection of the Corporation's water service (the meter) and all other accessories belonging to the Lot or to the owner shall be made at the owner's expense.

ARTICLE 8 – AMENDMENT OF BYLAWS

Section 8.1 – AMENDMENTS

These Bylaws may be amended by the affirmative votes of a majority of the member of the Corporation voting at any regular or special meetings of the Corporation, provided notice of such amendment or amendments and the nature thereof, shall have been given to the members of the Corporation at least two (2) weeks prior to the date of the meeting at which said amendment or amendments are to be presented for consideration. Any duly adopted amendments to the Bylaws shall be binding on all members, including those who voted against them. Members not present at such meetings may vote by letter addressed to the Secretary of the Corporation or by executing a proxy to another present member.

ARTICLE 9 – SUBSCRIPTION

Section 9.1

By accepting these Bylaws, the member agrees and consents to any obligation duly incurred by the Corporation in the past or to be incurred in the future.

ARTICLE 10 – ANNUAL REPORTS

Section 10.1 – PRESIDENT’S REPORT

The President of the Corporation shall give a report at the Annual Meeting summarizing the Corporation’s activities for the preceding year and the activities projected for the forthcoming year.

Section 10.2 – SECRETARY’S REPORT

The Secretary shall read the Minutes of the last Annual Meeting, so they may be voted on and approved for H&J Water Company files. Copies of the past Minutes will be made available at the Annual Meeting for the convenience of the members; even though they had been sent no less than thirty (30) days after that Annual Meeting. The Secretary will also have copies of the updated Member Roster for the coming year available for the members.

Section 10.3 – TREASURER’S REPORT

The Treasurer shall prepare a proposed Annual Budget for the General Fund and a proposed Budget for H&J’s Capital Improvements Fund which will describe the future expenditures of the H&J Water Company and will disseminate the Annual Budget and the Capital Improvement Budget as described in Section 3.2 and Section 4.4 subsection F(i). The members will vote to approve both Budgets for the upcoming fiscal year and for H&J Water Company’s financial records. The Treasurer shall prepare a Treasurer’s Report (i.e., financial statement) to present to the members at the Annual Meeting of the past year’s financial activities, balances, etc. of the H&J Water Company; with copies available for the convenience of the members. The members will vote to approve the Treasurer’s Report for the H&J Water Company’s financial records. The Corporation shall notify the members each year of their right to receive a copy of the Treasurer’s Report.

[Left blank on purpose]

SECTION 11 – FISCAL YEAR

Section 11.1 – FISCAL YEAR

The fiscal year of the Corporation shall be from July 1st to June 30th of each year.

CERTIFICATION OF SECRETARY

I certify that I am the duly elected and acting Secretary of **H&J WATER COMPANY**, a California nonprofit mutual benefit corporation; that these Bylaws, consisting of 21 pages, are the Bylaws of this Corporation as adopted by the Board of Directors and voted by the majority of members on August 23, 2020; amended on June 27, 2021; and amended on June 26, 2022; and amended on June 25, 2023; and amended on July 13, 2025 and that these Bylaws have not been amended or modified since that date.

Executed on July 13, 2025, at Julian, California.

/s/ Paul Trimble

[NAME] - Secretary