

BYLAWS
of the
BLUE LAKE SPRINGS MUTUAL WATER COMPANY

PREAMBLE: OBJECTS AND PURPOSES

The objects and purposes of the Blue Lake Springs Mutual Water Company, a corporation, hereinafter referred to as the “Company”, shall be to develop, distribute, supply and deliver water for domestic use to the land area situated in Calaveras County, California, described as follows:

Units 1 through 5 and 7 through 13, which includes facilities owned by the Blue Lake Springs Homeowners’ Association, as shown on the maps of Blue Lake Springs as recorded in the Calaveras County Recorder’s Office, hereinafter referred to as Blue Lake Springs.

The Company shall be authorized to do whatever may be deemed necessary, conducive, incidental or advisable to accomplish and promote said objects or purposes, including, but not limited to:

- a) Constructing, leasing, maintaining and operating water system facilities at Blue Lake Springs;
- b) Acquiring, owning, leasing, or developing water, rights or water bearing lands;
- c) Paying all taxes, utilities, charges, assessments and other levies upon property owned or managed by the Company;
- d) Making and collecting charges and assessments by which to further the foregoing objects and purposes;

and to any other act or thing in any way connected with the foregoing objects and purposes of the Company.

ARTICLE I

NAME AND PRINCIPLE OFFICE

Section 1: **NAME.** The name of the Corporation is and shall be “Blue Lake Springs Mutual Water Company”, and for convenience, shall be referred to hereinafter as “Company” or “Corporation”.

Section 2: **PRINCIPLE OFFICE.** The principle office of business shall be located within the town of Arnold, in the County of Calaveras, in the State of California.

ARTICLE II

DIRECTORS

- Section 1:** NUMBER. Directors shall serve without compensation and the authorized number of Directors of the Company shall be seven (7), which may be changed by a Bylaw duly enacted by the shareholders, as provided in these Bylaws.
- Section 2:** QUALIFICATIONS. Directors shall be shareholders in good standing in the Company.
- Section 3:** POWERS. All corporate powers (subject to limitation of the Articles and to the provisions of law requiring action to be authorized or approved by the shareholders) shall be exercised by or under the authority of, and the business affairs of this Corporation shall be controlled by its Board of Directors; and, subject to the same limitations, the Board shall also have power:
- a) To appoint and remove all officers, prescribed their duties, fix their compensation, and require from them security for faithful performance of service, if deemed necessary;
 - b) To make rules and regulations not inconsistent with the Articles of Incorporation and the Preamble of these Bylaws, for the guidance of the officers and management of the affairs of the Company;
 - c) To make rules and regulations for the appointment and terms of the officers or members of any subcommittees of the Board of Directors which might be appointed by them;
 - d) To hire Watermaster(s) and management employees necessary to operate the system and to conduct the affairs of the Company under the direction of the Board of Directors;
 - e) To indemnify and hold harmless the Directors and officers of the Water Company from any claim, lawsuit, or civil judgment arising out of or in the course and scope of their official duties.
- Section 4:** DUTIES. The Board of Directors shall:
- a) Adopt and use a corporate seal consisting of a circle setting forth on its circumference the name of the Corporation and showing the State of Incorporation;
 - b) Authorize the issuance of certificates for shares upon such terms as may be lawful and in such form as it shall prescribe, but which will state all matters required by law and which shall be signed and authenticated as required by law.

Section 5: **ELECTION AND TERM OF OFFICE.** The Directors shall be elected at each annual meeting of regular shareholders or at any special meeting of the shareholders held in lieu of the annual meeting. All Directors shall hold office until their respective successors are elected, except in the case of the resignation, death, disability or removal of a Director.

The term of office of a Director shall be three years and the expiration of terms shall be on a staggered basis so that not more than three Directors will be elected in any one year. Initially (1976), to implement this change, the number of Directors to be elected shall be two for three years and two for two years. Determination of the terms of those elected shall be by lot.

The Board of Directors shall at least 60 days before each annual meeting of the shareholders, or special meeting in lieu of the annual meeting, appoint a Nominations Chairman who shall no later than 45 days prior to said annual meeting, notify all of the shareholders of his appointment and invite candidates to submit their names and qualifications as Directors.

The Nominations Chairman shall publish and distribute the names of the candidates which he has received by mail, to the membership no sooner than 30 days nor later than 15 days prior to the meeting at which the election is to be held, and proxies shall be mailed at this time.

Nominations may also be made from the floor at the time of the annual meeting, provided that the written or oral consent of the nominee is obtained prior to the ballots being cast.

At the annual meeting, or at any special meeting in lieu of the annual meeting, the election of Directors shall be by ballot, and each shareholder shall be furnished a ballot. Each shareholder shall be entitled to one vote for each share owned, and the persons receiving the highest number of votes shall be elected to fill the vacancies in office for the ensuing three-year term. Voting shall not be cumulative.

Section 6: **MEETINGS OF THE BOARD OF DIRECTORS.** Special meetings of the Board may be called at any time by the president, or if he be absent or be unable to or refuse to act, by any vice-president or by any two Directors, upon due notice in writing given to each Director in the manner prescribed by law. Such meetings may be held at the principle office of the Company or at any place which shall be designated from time to time by resolution of the Board or by written consent of all members of the Board.

Regular meetings shall be held without a call.

A schedule of regular meetings shall be posted at the place of business of the Company.

Section 7: **QUORUM.** A majority of the authorized number of Directors shall be necessary to constitute a quorum of the Board of Directors for the transaction of business; no business shall be transacted, or motion or resolution passed except by an affirmative vote of a majority of the Board of Directors.

Section 8: **VACANCIES.** A vacancy on the Board of Directors exists in case of the happening of any of the following events:

- a) The death, resignation or removal of any Director;
- b) The authorized number of Directors is increased;
- c) At any annual, regular or special meeting of shareholders at which any Director is elected the shareholders fail to elect the full authorized number of Directors to be voted at that meeting.

A reduction of authorized number of Directors does not remove any Director prior to the expiration of his term of office.

The Board of Directors may declare vacant the office of a Director if any of the following cases exist:

- a) If he is declared of unsound mind by an order of the Court, or finally convicted of a felony;
- b) If within thirty days after notice of his election he does not accept the office either in writing or by attending a meeting of the Board of Directors, and fulfill such other requirements or qualifications as these Bylaws specify;
- c) If any Director fails to carry out his assigned tasks as indicated by the entire Board, the Board may consider him for dismissal;
- d) If any Director fails to attend three consecutive meetings, said Director shall be considered for dismissal by the Board of Directors;
- e) The entire Board of Directors, or any individual Director, may be removed from office by a vote of members holding a majority of the outstanding shares entitled to vote at an election of Directors, subject to the limitations contained in Section 810 of Corporations Code, State of California.

Any vacancy occurring on the Board of Directors may be filled by vote of a majority of the remaining Directors, though they are less than a quorum of the Board, or by a sole remaining Director. A Director so chosen must be a shareholder in the Company and shall serve out the unexpired term of his predecessor at which time he may stand for election for another full term.

The shareholders may elect a Director at any time to fill any vacancy not filled by the Directors subject to the above rules of tenure. If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board or the shareholders may elect a successor to take office when the resignation becomes effective.

ARTICLE III

OFFICERS

Section 1: **ELECTION.** The officers of this Company shall be president, a vice-president, a secretary and a treasurer, or a secretary-treasurer, who shall be chosen by the Board of Directors. Any two or more officers excepting that of president and secretary, may be held by the same person. In addition, the Board of Directors, at their discretion, may appoint one or more additional vice-presidents, one or more assistant secretaries, and one or more assistant treasurers, and such other officers as the business of the Company might require. Each of said officers shall serve without compensation until he shall resign, or be removed or become disqualified, or until his successor shall be elected.

Section 2: **PRESIDENT.** Subject to such powers, if any, as may be delegated by the Board of Directors to any committee, or general manager, the president shall be chief executive officer, and, subject to the control of the Board of Directors, shall have general supervision and direction of the business and affairs of the Company, unless the Board of Directors shall choose to appoint a general manager and shall delegate such general supervision and direction of the business to the general manager. The president shall:

- a) Preside at all meetings of the Board of Directors and at all meetings of the shareholders;
- b) Call all meetings of the Board of Directors;
- c) Employ and discharge, subject to the approval of the Board, unless such power be delegated to a general manager, such agents and employees as the business of the Company shall from time to time require, and prescribe their duties, terms of employment and compensation;
- d) Exercise such other powers and performs such other duties as may be prescribed by the Board of Directors.

Section 3: **VICE-PRESIDENT.** In the absence or incapacity of the president, the vice-president shall perform the duties of the president, and shall also perform such other duties as may be prescribed for him by the Board of Directors.

Section 4: **SECRETARY.** The secretary shall:

- a) Keep a book of minutes at the principle office of the Company or such other place as the Board of Directors shall order of all meetings of the Directors and shareholders in the form and manner required by law;
- b) Keep at the principle office of the Company a share register or a duplicate share register showing the details required by law, and also all other books of the Company, excepting books of account;

- c) Keep at the principle office, open to inspection by shareholders at all reasonable times, the original or a certified copy of the Bylaws of the Company as amended or otherwise altered to date;
- d) Keep the corporate seal and affix it to all papers and documents required;
- e) Attend to the giving and service of all notices of the Company required by law or these Bylaws to be given;
- f) Attend to such correspondence as may be assigned to him and perform all other duties incidental to his office or prescribed by the Board of Directors or by the law.

Section 5: **TREASURER.** The treasurer shall:

- a) Keep and maintain, open to inspection by any shareholder at all reasonable times, adequate and correct accounts of the properties and business transactions of the Company, which shall include all matters required by law;
- b) Have the care and custody of the funds and valuables of the Company and deposit same in the name of, and to the credit of, the Company with such depositories as the Board of Directors may designate;
- c) Disburse the funds of the Company as he may be ordered by the Board, taking proper vouchers for such disbursements;
- d) Render to the president and to the Board of Directors, whenever they may require it, an account of all his transactions as treasurer, and a financial statement in form satisfactory to them, showing the condition of the Company;
- e) Have such other powers and perform such other duties as may be prescribed by the Board of Directors.

ARTICLE IV

RECORDS AND REPORT

Section 1: **RECORD DATE AND CLOSING OF SHAREHOLDER BOOKS.** The record date for establishing shareholder's identities shall be ten days prior to the date of any meeting of the shareholders. Only shareholders of record with the Company on that date are entitled to notice of and to vote at the meeting, or to have or exercise any other rights of a shareholder for the occasion. Between the record date and the meeting date, the books of the Company may be closed by the Board of Directors against transfer of shares.

Section 2: **INSPECTION OF COMPANY RECORDS.** The shareholder register or duplicate

shareholder's register, the books of account, and the minutes of meetings of shareholders, the Board of Directors, and any executive or appointive committee must be opened for inspection at the request of any shareholder or the holder of a voting trust certificate, at any reasonable time, and must be exhibited at any shareholder's meeting. The inspection may be made by the shareholder in person, or by his attorney or agent, and the right of inspection includes the right to make extracts from the records.

Section 3: **ANNUAL REPORT.** The Board of Directors shall distribute an annual report to the shareholders not later than 120 days after the close of the calendar year and it shall contain the matters set forth in Sections 3007 to 3011 inclusive, of the Corporation Code of the State of California.

ARTICLE V

MEETINGS OF SHAREHOLDERS

Section 1: **ANNUAL.** The annual meeting of shareholders shall be held on the first Saturday in the month of June in each year. However, if this day should fall on a legal holiday, the meeting shall be held at the same place the next succeeding Saturday that is not a legal holiday.

Section 2: **BUSINESS OF ANNUAL MEETING.** At the annual meeting, Directors shall be elected, reports of the officers of the Company shall be considered, and any other business may be transacted that is within the powers of the shareholders.

Section 3: **RULES OF ORDER.** All business at the annual meeting of shareholders shall be conducted in accordance with Robert's Rules of Order, revised.

Section 4: **REPORT OF ANNUAL MEETING.** An annual report of the activities of the annual meeting and the business conducted therein shall be published and distributed to all shareholders not later than 60 days following the meeting.

Section 5: **SPECIAL MEETINGS.** Special meetings of shareholders for any purpose or purposes whatsoever may be called at any time by the president, or by the Board of Directors, or by any one or more shareholders holding not less than 10 percent (10%) of the voting power of the Company. Such meetings may be held at the principle office of the Company or at any place within the State designated by written consent of the shareholders entitled to vote thereat, or by the Board of Directors pursuant to authority granted by the Board in and by these Bylaws. The purpose of such special meetings shall be stated in the announcement of intent to call meetings.

Section 6: **QUORUM.** The presence in person or by proxy of 25% of all shareholders in good standing of the Company, shall constitute a quorum for the transaction of business at any meeting of the shareholders.

Section 7: **VOTING.** A record date for voting purposes is fixed in Section 1 of Article IV of these Bylaws.

The vote of shareholders at any shareholder's meeting may be by voice or by ballot; provided, however, that all elections for Directors shall be by ballot.

Each shareholder of record entitled to vote is entitled to one vote for each share owned, in accordance with Article VI of these Bylaws.

Voting by incompetents, minors, decedents, corporations or partnerships are governed by Corporation Code. Sections 2218 to 2223.

The Board of Directors shall appoint an Inspector of Elections to be responsible for verification of voting eligibility of all shareholders, at the annual meeting or any special meeting of shareholders. The Inspector of Elections shall also be responsible for voting procedures as indicated by the Board of Directors.

ARTICLE VI

SHAREHOLDERS

Section 1: Shareholders in the Company shall be limited to owners of not less than one (1) lot at Blue Lake Springs, Units 1 through 5 and 7 through 13.

Section 2: A lot held as community property shall qualify the owners thereof for one (1) share only in the Company, which share may be held in the name of either spouse as manager of the community. In the event of multiple owners of a single lot, only one (1) designated person among such owners shall be a shareholder of the Company. Shares are appurtenant to the lots owned and cannot be sold separately, nor can shares be combined or the number of shares reduced should adjacent parcels be consolidated.

Section 3: Each shareholder shall be entitled to one vote for each share held.

Section 4: The payment of all delinquent invoices, late charges, interest, penalties and fees for water or related charges or services furnished to the lot owner and/or shareholder, shall be a condition precedent to the transfer of any share referred to above. This shall be the case whether or not the share is ever construed to be, or not to be appurtenant to the lot described in said share.

Notwithstanding the above, Company still reserves the right to refuse to deliver water and related services to any lot for which payment of all fees, services, and charges are not current at the time of the requested transfer of said share, or the transfer sale and conveyance of the lot designated in said share certificate by forfeiture as per Section 331 of the Civil Code of the State of California now pertaining, and the declaration of restrictions affecting the Blue Lake Springs Subdivision on record with the County Recorder's Office in Calaveras County.

Section 5: All liability incurred by the shareholder in connection with the furnishing of water and related services to the lot designated in said share certificate shall be deemed and construed to be a continuing lien upon said land designated and described in said share certificate and the transferee of the share and/or lot shall be responsible for satisfying the liabilities in full as a condition of receiving water service from the Company.

Section 6: Any assignee, purchaser, transferee or successor of interest shall assume and be responsible for the payment of any and all liabilities, fees and costs for water furnished to the lot prior to acquisition of title to said lot as a condition to receiving water service from the Blue Lake Springs Mutual Water Company.

ARTICLE VII

AMENDMENTS

Section 1: These Bylaws may be amended, repealed, or added to or new Bylaws adopted by a majority of the eligible votes present, in person or by proxy provided that the proposed revisions and amendments are distributed to the shareholders not less than thirty (30) days prior to the meeting at which they are to be considered for approval.

Section 2: Wherever in these Bylaws there may exist a reference to a section number of the former Corporations Code, or a conflict with the minimum mandated requirement of the Mutual Benefit Corporation Law of the State of California, the provisions, and section numbers of the current law, on file in the office of the Company's Secretary, shall supersede and be in effect as if fully incorporated and set forth herein.

ARTICLE VIII

WAIVERS, CONSENTS, APPROVALS

Section 1: Absentees from any meeting of Directors, at which a quorum is present, may sign a waiver of such notice, or a consent to the holding of such meeting, or an approval of the minutes thereof, and validate all transactions had or taken thereat, regardless of whether such notice had in fact been given.

ARTICLE IX

SECURITIES

Section 1: The smallest security that may be issued by the Company is one share. No fractional securities will be issued.

ARTICLE X

DISSOLUTION

Section 1: In the event of the dissolution of the Company, each shareholder shall receive his prorated portion of the Company property and assets after all of the Company's debts have been paid or provided for.

ARTICLE XI

SEVERABILITY CLAUSE

Section 1: If any part of these Bylaws, or the application thereof to any person or circumstances is held unconstitutional, the remainder of the Bylaws and the application of such part to other persons and circumstances shall not be affected thereby.

AMENDMENTS

Article VII, Section 2 Amended June 4, 1983

Article VI, Section 2 Amended June 4, 1983

Article II, Section 3 Amended June 1, 1985

e) to indemnify and hold harmless the Directors and officers of the Water Company from any claim, lawsuit, or civil judgment arising out of or in the course and scope of their official duties.

Article II, Section 5, Paragraph 4 Amended June 7, 2008

Change: 15 days nor later than 10 days to read: 30 days nor later than 15 days.

Article VI, Section 2 Amended June 2, 2012

Shares are appurtenant to the lots owned and cannot be sold separately nor can shares be combined or the number of shares reduced should adjacent parcels be consolidated.

Article I, Section 2 Amended March 8, 2014

The principle office of business shall be located within the town of Arnold, in the County of Calaveras, in the State of California.